



2011/2012

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2012

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

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MOHOKARE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2012

GENERAL INFORMATION

EXECUTIVE MAYOR

M.A. Shasha

SPEAKER

M.A. Shasha

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor/Speaker M.A. Shasha

Chief Whip R.J. Thuhlo

Councillors:	O.T. Khasake	L. Lekhula
	S. Pokane	E.T. Backward
	M.J. Sehanka	B.S. Majenge
	M.A. Letele	I.S. Riddle
	I. Mehlomakhu	

GRADING OF THE LOCAL AUTHORITY

Grade 2

AUDITORS

External – Auditor General Internal – Internal Unit

PRIMARY BANKER

ABSA Bank

REGISTERED OFFICE

Civic Center
Hoofd Street
Zastron
9950

PO Box 20
Zastron
9950

Telephone: (051) 673-9600

Facsimile: (051) 673-1550
E-Mail: info@mohokare.gov.za
Website: <http://www.mohokare.gov.za>

MUNICIPAL MANAGER

T.C. Panyani

CHIEF FINANCIAL OFFICER

J.V. Nkosi

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages **8 to 100**, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2012.

TC PANYANI
MUNICIPAL MANAGER
31 August 2012

JV NKOSI
CHIEF FINANCIAL OFFICER
31 August 2012

MOHOKARE LOCAK MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

MEMBERS OF THE COUNCIL

COUNCILLORS

O T Khasake	ANC
L Lekhula	ANC
S Pokane	DA
E T Backward	ANC
R J Thuhlo	ANC
M J Sehanka	ANC
B S Majenge	ANC
M A Letele	ANC
I S Riddle	DA
I Mehlomakhu	ANC
A M Shasha	ANC

MOHOKARE LOCAL MUNICIPALITY
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MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

TC PANYANI
MUNICIPAL MANAGER
31 August 2012

Mohokare Local Municipality

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

		Actual	
	Note	2012 R	2011 R
ASSETS			
Current Assets		39 994 236	26 456 212
Inventories	2	1 226 257	881 355
Non-current Assets Held-for-Sale	3	25 132 064	-
Receivables from Exchange Transactions	4	592 071	5 653 674
Receivables from Non-exchange Transactions	5	360	4 126 581
Sundry debtors		348 161	931 306
VAT Receivable	6	12 406 729	14 350 422
Cash and Cash Equivalents	7	288 595	512 874
Non-Current Assets		330 555 742	352 721 007
Property, Plant and Equipment	8	308 959 075	330 986 853
Intangible Assets	9	534 123	534 123
Investment Property	10	20 519 205	20 519 205
Biological Assets	11	430 680	585 000
Non-current Investments	12	112 660	95 826
Total Assets		370 549 979	379 177 219
LIABILITIES			
Current Liabilities		29 377 040	26 514 285
Consumer Deposits	13	164 402	163 971
Provisions	14	-	-
Payables	15	12 767 824	11 035 434
Unspent Conditional Grants and Receipts	16	12 080 659	12 487 503
Bank Overdraft	7	3 915 357	2 065 666
Current Portion of Long-term Liabilities	17	448 797	761 711
Non-Current Liabilities		24 541 168	23 299 377
Long-term Liabilities	17	7 491 223	7 736 369
Non-current Provisions	18	17 049 945	15 563 009
Total Liabilities		53 918 207	49 813 664
Total Assets and Liabilities		316 631 771	329 363 555
NET ASSETS		316 631 771	329 363 555
Accumulated Surplus / (Deficit)	19	316 631 771	329 363 555
Total Net Assets		316 631 771	329 363 555

Mohokare Local Municipality

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

		Actual	
	Note	2012 R	2011 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	20	7 231 215	6 062 907
Fines		884 933	156 055
Licences and Permits		439	4 153
Government Grants and Subsidies Received	21	74 232 843	68 189 764
Public Contributions and Donations	22	-	20 580
Revenue from Exchange Transactions			
Service Charges	23	50 636 215	28 275 180
Rental of Facilities and Equipment	24	625 114	656 777
Interest Earned - External Investments	25	953	31 636
Interest Earned - Outstanding Debtors	25	273 209	226 493
Dividends Received		2 962	1 733
Gains on Fair Value adjustments		16 834	1 780 205
Other Income	26	3 521 066	974 842
Total Revenue		137 425 783	106 380 325
EXPENDITURE			
Employee Related Costs	27	35 325 741	30 691 492
Remuneration of Councillors	28	2 599 729	2 209 126
Depreciation and Amortisation	29	21 215 435	21 987 571
Impairment Losses	30	49 598 973	15 271 157
Repairs and Maintenance		1 722 911	1 024 249
Finance Costs	31	2 080 323	2 436 791
Bulk Purchases	32	10 427 164	16 136 859
Contracted Services	33	5 169 266	8 020 299
Grants and Subsidies Paid	34	1 093 696	4 155 906
General Expenses	35	20 793 226	19 176 808
Loss on Disposal of Property, Plant and Equipment		131 102	-
Total Expenditure		150 157 567	121 110 259
SURPLUS / (DEFICIT) FOR THE YEAR		(12 731 784)	(14 729 934)

Refer to Appendix E(1) for explanation of budget variances

Mohokare Local Municipality
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

Description	Accumulated Surplus / (Deficit)	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2011			
Balance at 30 June 2010	165 991 138	165 991 138	165 991 138
Change in Accounting Policy (Note 35)	(507 101)	(507 101)	(507 101)
Correction of Error (Note 35)	187 637 287	187 637 287	187 637 287
Restated Balance	353 121 324	353 121 324	353 121 324
Surplus / (Deficit) for the year	(14 729 934)	(14 729 934)	(14 729 934)
Centlec - net equity adjustment	(3 907 834)	(3 907 834)	(3 907 834)
Changes in revaluation of Property, Plant & Equipment	28 523 647	28 523 647	28 523 647
Overstatement of grant debtor	(8 021 756)	(8 021 756)	(8 021 756)
Capitalisation of prior year asset	(13 263 569)	(13 263 569)	(13 263 569)
MIG Liability previously not recognised	(12 373 362)	(12 373 362)	(12 373 362)
Other adjustments directly in equity	15 039	15 039	15 039
Balance at 30 June 2011	329 363 555	329 363 555	329 363 555
2012			
Change in Accounting Policy (Note 36)	-	-	-
Correction of Error (Note 36)	-	-	-
Restated Balance	329 363 555	329 363 554	329 363 554
Surplus / (Deficit) for the year	(12 731 784)	(12 731 784)	(12 731 784)
Balance at 30 June 2012	316 631 771	316 631 770	316 631 770

Details on the movement of the Funds and Reserves are set out in Note 35.

Mohokare Local Municipality
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

		Actual	
		2012	2011
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Receipts			
Cash receipts from Ratepayers, Government and Other		123 602 033	115 359 891
Interest Received		274 162	258 129
Payments			
Cash paid to suppliers and Employees		(98 500 293)	(86 418 846)
Interest Paid		(1 946 548)	(2 436 791)
NET CASH FLOWS FROM OPERATING ACTIVITIES	39	<u>23 429 354</u>	<u>26 762 383</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(24 604 819)	(26 382 097)
Proceeds on Disposal of Property, Plant and Equipment		2	740 308
Decrease / (Increase) in Non-current Investments		-	(95 826)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(24 604 817)</u>	<u>(25 737 615)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(898 506)	(1 605 202)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(898 506)</u>	<u>(1 605 202)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(2 073 970)</u>	<u>(580 434)</u>
Cash and Cash Equivalents at Beginning of Period		(1 552 792)	(972 358)
Cash and Cash Equivalents at End of Period		(3 626 762)	(1 552 792)

Mohokare Local Municipality
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

30 June 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	-	-	-	-	1 226 257	-	1 226 257	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	592 071	-	592 071	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	360	-	360	0.00	0.00
VAT Receivable	-	-	-	-	12 406 729	-	12 406 729	0.00	0.00
Cash and Cash Equivalents	-	-	-	-	288 595	-	288 595	0.00	0.00
Sundry Debtors	-	-	-	-	348 161	-	348 161	0.00	0.00
Non-Current Assets									
Property, Plant and Equipment	-	-	-	-	308 959 075	-	308 959 075	0.00	0.00
Intangible Assets	-	-	-	-	534 123	-	534 123	0.00	0.00
Investment Property	-	-	-	-	20 519 205	-	20 519 205	0.00	0.00
Biological Assets	-	-	-	-	430 680	-	430 680	0.00	0.00
Non-current Investments	-	-	-	-	112 660	-	112 660	0.00	0.00
Total Assets	-	-	-	-	370 549 980	-	370 549 980	0.00	0.00
Current Liabilities									
Consumer Deposits	-	-	-	-	164 402	-	164 402	0.00	0.00
Payables	-	-	-	-	12 767 824	-	12 767 824	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	12 080 659	-	12 080 659	0.00	0.00
Bank Overdraft	-	-	-	-	3 915 357	-	3 915 357	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	448 797	-	448 797	0.00	0.00
Non-Current Liabilities									
Long-term Liabilities	-	-	-	-	7 491 223	-	7 491 223	0.00	0.00
Non-current Provisions	-	-	-	-	17 049 945	-	17 049 945	0.00	0.00
Total Liabilities	-	-	-	-	53 918 208	-	53 918 208	0.00	0.00
Total Assets and Liabilities	-	-	-	-	316 631 771	-	316 631 771	0.00	0.00
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	-	-	-	-	316 631 771	-	316 631 771	0.00	0.00
Total Net Assets	-	-	-	-	316 631 771	-	316 631 771	0.00	0.00
					0		0		

FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	6 846 144	-	-	6 846 144	7 231 215	-	385 071	105.62	105.62
Fines	1 210 000	(1 160 000)	-	50 000	884 933	-	834 933	1 769.87	73.13
Licences and Permits	110	890	-	1 000	439	-	(561)	43.86	398.73
Government Grants and Subsidies Received	63 839 447	8 871 553	-	72 711 000	74 232 843	-	1 521 843	102.09	116.28
Public Contributions and Donations	(28 052)	-	-	(28 052)	-	-	28 052	0.00	0.00
Revenue from Exchange Transactions									
Service Charges	4 711 934	2 355 170	-	7 067 104	50 636 215	-	43 569 111	716.51	1 074.64
Rental of Facilities and Equipment	524 607	-	-	524 607	625 114	-	100 507	119.16	119.16
Interest Earned - External Investments	478	14 522	-	15 000	953	-	(14 047)	6.35	199.36
Interest Earned - Outstanding Debtors	242 201	-	-	242 201	273 209	-	31 008	112.80	112.80
Dividends Received	7 626	-	-	7 626	2 962	-	(4 664)	38.84	38.84
Royalties Received	-	-	-	-	16 834	-	16 834	0.00	0.00
Other Income	265 685	500 182	-	765 868	3 521 066	-	2 755 198	459.75	1 325.28
Total Revenue	77 620 181	10 582 318	-	88 202 499	137 425 783	-	49 223 285	155.81	177.05
Expenditure									
Employee Related Costs	40 327 844	(3 355 834)	-	36 972 010	35 325 741	-	(1 646 268)	95.55	87.60
Remuneration of Councillors	2 511 235	90 153	-	2 601 389	2 599 729	-	(1 659)	99.94	103.52
Depreciation and Amortisation	-	-	-	-	21 215 435	21 215 435	21 215 435	0.00	0.00
Impairment Losses	1 595 310	-	-	1 595 310	49 598 973	48 003 663	48 003 663	3 109.05	3 109.05
Repairs and Maintenance	1 221 259	1 393 089	-	2 614 348	1 722 911	-	(891 438)	65.90	141.08
Finance Costs	228 566	(151 068)	-	77 497	2 080 323	2 002 826	2 002 826	2 684.39	910.16
Bulk Purchases	493 097	932 712	-	1 425 809	10 427 164	9 001 355	9 001 355	731.32	2 114.63
Contracted Services	5 150 945	(29 055)	-	5 121 890	5 169 266	47 376	47 376	100.92	100.36
Grants and Subsidies Paid	1 417 410	-	-	1 417 410	1 093 696	-	(323 713)	77.16	77.16
General Expenses	19 902 195	(3 964 487)	-	15 937 708	20 793 226	4 855 518	4 855 518	130.47	104.48
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	131 102	131 102	131 102	0.00	0.00
Total Expenditure	72 847 860	(5 084 490)	-	67 763 370	150 157 567	85 257 276	82 394 197	221.59	206.12
Surplus/(Deficit)	4 772 320	15 666 808	-	20 439 128	(12 731 784)	(85 257 276)	(33 170 912)	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	4 772 320	15 666 808	-	20 439 128	(12 731 784)	(85 257 276)	(33 170 912)	0.00	0.00
Surplus/(Deficit for the Year)	4 772 320	15 666 808	-	20 439 128	(12 731 784)	(85 257 276)	(33 170 912)	-	-

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

30 June 2011

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	-	-	-	-	881 355	-	881 355	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	-	-	-	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	5 653 674	-	5 653 674	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	4 126 581	-	4 126 581	0.00	0.00
VAT Receivable	-	-	-	-	14 350 422	-	14 350 422	0.00	0.00
Cash and Cash Equivalents	-	-	-	-	512 874	-	512 874	0.00	0.00
Sundry Debtors	-	-	-	-	931 306	-	931 306	0.00	0.00
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Receivables	-	-	-	-	-	-	-	0.00	0.00
Non-Current Assets									
Property, Plant and Equipment	-	-	-	-	330 986 853	-	330 986 853	0.00	0.00
Intangible Assets	-	-	-	-	534 123	-	534 123	0.00	0.00
Investment Property	-	-	-	-	20 519 205	-	20 519 205	0.00	0.00
Heritage Assets	-	-	-	-	-	-	-	0.00	0.00
Biological Assets	-	-	-	-	585 000	-	585 000	0.00	0.00
Non-current Investments	-	-	-	-	95 826	-	95 826	0.00	0.00
Investments in Associates	-	-	-	-	-	-	-	0.00	0.00
Finance Lease Receivables	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	-	0.00	0.00
Total Assets	-	-	-	-	379 177 219	-	379 177 219	0.00	0.00

Current Liabilities									
Consumer Deposits	-	-	-	-	163 971	-	163 971	0.00	0.00
Provisions	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	11 035 434	-	11 035 434	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	12 487 503	-	12 487 503	0.00	0.00
VAT Payable	-	-	-	-	-	-	-	0.00	0.00
Short-term Loans	-	-	-	-	-	-	-	0.00	0.00
Operating Lease Liabilities/Payables	-	-	-	-	-	-	-	0.00	0.00
Liabilities associated with Assets Held-for-Sale	-	-	-	-	-	-	-	0.00	0.00
Bank Overdraft	-	-	-	-	2 065 666	-	2 065 666	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	761 711	-	761 711	0.00	0.00
Non-Current Liabilities									
Long-term Liabilities	-	-	-	-	7 736 369	-	7 736 369	0.00	0.00
Retirement Benefit Liabilities	-	-	-	-	-	-	-	0.00	0.00
Non-current Provisions	-	-	-	-	15 563 009	-	15 563 009	0.00	0.00
Total Liabilities	-	-	-	-	49 813 663	-	49 813 663	0.00	0.00
Total Assets and Liabilities	-	-	-	-	329 363 556	-	329 363 556	0.00	0.00
Net Assets (Equity)									
Statutory Funds	-	-	-	-	-	-	-	0.00	0.00
Reserves	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	-	-	-	-	329 363 555	-	329 363 555	0.00	0.00
Total Net Assets	-	-	-	-	329 363 555	-	329 363 555	0.00	0.00
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	4 615 027	-	-	4 615 027	6 062 907	-	1 447 880	131.37	131.37
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	-	0.00	0.00
Fines	710 463	-	-	710 463	156 055	-	(554 408)	21.97	21.97
Licences and Permits	-	-	-	-	4 153	-	4 153	0.00	0.00
Income for Agency Services	-	-	-	-	-	-	-	0.00	0.00
Government Grants and Subsidies Received	56 240 298	-	-	56 240 298	52 882 210	-	(3 358 088)	94.03	94.03
Public Contributions and Donations	-	-	-	-	20 580	-	20 580	0.00	0.00
	-								
Revenue from Exchange Transactions	-								
Service Charges	23 386 866	-	-	23 386 866	28 275 180	-	4 888 314	120.90	120.90
Rental of Facilities and Equipment	723 384	-	-	723 384	656 777	-	(66 607)	90.79	90.79
Interest Earned - External Investments	67 893	-	-	67 893	31 636	-	(36 257)	46.60	46.60
Interest Earned - Outstanding Debtors	-	-	-	-	226 493	-	226 493	0.00	0.00
Dividends Received	6 933	-	-	6 933	1 733	-	(5 199)	25.00	25.00
Royalties Received	-	-	-	-	1 780 205	-	1 780 205	0.00	0.00
Other Income	1 081 114	-	-	1 081 114	974 842	-	(106 272)	90.17	90.17
Other Gains on Continued Operations	-	-	-	-	-	-	-	0.00	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	86 831 978	-	-	86 831 978	91 072 771	-	4 240 793	104.88	104.88

Expenditure									
Employee Related Costs	33 847 343	-	-	33 847 343	30 691 492	-	(3 155 851)	90.68	90.68
Remuneration of Councillors	2 321 993	-	-	2 321 993	2 209 126	-	(112 867)	95.14	95.14
Collection Costs	-	-	-	-	-	-	-	0.00	0.00
Depreciation and Amortisation	-	-	-	-	21 987 571	21 987 571	21 987 571	0.00	0.00
Impairment Losses	1 422 247	-	-	1 422 247	15 271 157	13 848 910	13 848 910	1 073.73	1 073.73
Repairs and Maintenance	1 636 697	-	-	1 636 697	1 024 249	-	(612 449)	62.58	62.58
Finance Costs	4 797 180	-	-	4 797 180	2 436 791	-	(2 360 389)	50.80	50.80
Bulk Purchases	4 033 319	-	-	4 033 319	16 136 859	12 103 540	12 103 540	400.09	400.09
Contracted Services	5 200 000	-	-	5 200 000	8 020 299	2 820 299	2 820 299	154.24	154.24
Grants and Subsidies Paid	-	-	-	-	4 155 906	4 155 906	4 155 906	0.00	0.00
Research and Development Costs	-	-	-	-	-	-	-	0.00	0.00
General Expenses	28 707 660	-	-	28 707 660	19 176 808	-	(9 530 852)	66.80	66.80
Other Losses on Continued Operations	-	-	-	-	-	-	-	0.00	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	81 966 439	-	-	81 966 439	121 110 259	54 916 227	39 143 820	147.76	147.76
Surplus/(Deficit)	4 865 539	-	-	4 865 539	(30 037 488)	(54 916 227)	(34 903 027)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	15 307 554	15 307 554	15 307 554	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	4 865 539	-	-	4 865 539	(14 729 934)	(39 608 672)	(19 595 473)	0.00	0.00
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	0.00	0.00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit for the Year)	4 865 539	-	-	4 865 539	(14 729 934)	(39 608 672)	(19 595 473)	-	-
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Cash Receipts from Ratepayers, Government and Other	-	-	-	-	115 359 891	115 359 891	115 359 891	0.00	0.00
Cash Paid to Suppliers and Employees	-	-	-	-	(86 418 846)	-	(86 418 846)	0.00	0.00
Dividends received	-	-	-	-	-	-	-	0.00	0.00
Royalties received	-	-	-	-	-	-	-	0.00	0.00
Interest received	-	-	-	-	258 129	258 129	258 129	0.00	0.00
Interest paid	-	-	-	-	(2 436 791)	-	(2 436 791)	0.00	0.00

Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	-	-	-	-	(26 382 097)	-	(26 382 097)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	740 308	740 308	740 308	0.00	0.00
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	(95 826)	-	(95 826)	0.00	0.00
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	0.00	0.00
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	(1 605 202)	-	(1 605 202)	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	-	-	-	-	(580 434)	116 358 328	(580 434)	0.00	0.00
					0				

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2011/12		2010/11
	R		R
Net surplus/(deficit) per the statement of financial performance	(12 731 784)		(14 729 934)
Revenue from Non-exchange Transactions			
Property Rates	(385 071)		(1 447 880)
Property Rates - Penalties imposed and collection charges	-		-
Fines	(834 933)		554 408
Licences and Permits	561		(4 153)
Revenue for Agency Services	-		-
Government Grants and Subsidies Received	(1 521 843)		(11 949 466)
Public Contributions and Donations	(28 052)		(20 580)
Revenue from Exchange Transactions			
Service Charges	(43 569 111)		(4 888 314)
Rental of Facilities and Equipment	(100 507)		66 607
Interest Earned - External Investments	14 047		36 257
Interest Earned - Outstanding Debtors	(31 008)		(226 493)
Dividends Received	4 664		5 199
Royalties Received	(16 834)		(1 780 205)
Other Revenue	(2 755 198)		106 272
Other Gains on Continued Operations	-		-
Gains on Disposal of Property, Plant and Equipment	-		-
Profit on Sale of Land	-		-
Expenditure			
Employee Related Costs	(1 646 268)		(3 155 851)
Remuneration of Councillors	(1 659)		(112 867)
Collection Costs	-		-
Depreciation and Amortisation	21 215 435		21 987 571
Impairment Losses	48 003 663		13 848 910
Repairs and Maintenance	(891 438)		(612 449)
Finance Costs	2 002 826		(2 360 389)
Bulk Purchases	9 001 355		12 103 540
Contracted Services	47 376		2 820 299
Grants and Subsidies Paid	(323 713)		4 155 906
Research and Development Costs	-		-
General Expenses	4 855 518		(9 530 852)
Other Losses on Continued Operations	-		-
Loss on Disposal of Property, Plant and Equipment	131 102		-
Net surplus/deficit per approved budget	20 439 128		4 865 539

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2012**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 2 Financial Assets and Liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

1. 2. 3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due (If longer than 60 days from billing date the full amount is impaired) and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R41 029 495 and that of trade and other receivable from non exchange transactions to R6 597 107.

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy 3.9 on *PPE - Impairment of Assets* and Accounting Policy 4.2 on *Intangible Assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment and Inventories (continued)*

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property plant and equipment amounted to R16 781, whilst no impairments were made to intangible assets or inventory.

1. 2. 6 *Water inventory*

The estimation of the water stock in the reservoirs is based on the measurement of water via dip stick measurements, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Note 10 of the accounting policy notes to the Annual Financial Statements.

1. 2. 7 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. No Liabilities existed at year end.

1. 2. 8 *Provisions and Contingent Liabilities*

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% (2011: 6%) and discounted to the present value:

a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 12% (2011: 12%).

1. 2. 9 *Budget information*

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION (continued)

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)

Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)

Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)

Financial Instruments (GRAP 104 Financial Instruments - October 2009)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Other Reserves

The Entity creates and maintains reserves in terms of specific requirements.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
<i>Infrastructure</i>		<i>Buildings</i>	20 - 100
Roads and Paving	100		
Electricity	45 - 50	<i>Other</i>	
Water	20 - 80	Specialist Vehicles	10
Sewerage	40 - 80	Other Vehicles	7
Landfill Sites	5 - 100	Office Equipment	4 - 7
		Furniture and Fittings	4 - 7
<i>Community</i>		Bins and Containers	4
Recreational Facilities	15 - 80	Specialised Plant and Equipment	10
Security	5		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2012**

4. INTANGIBLE ASSETS (continued)

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2012**

5. INVESTMENT PROPERTY (Continued)

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (1 July 2009). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

6. 1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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6. IMPAIRMENT OF ASSETS (continued)

6. 2 Impairment of Non-Cash generating assets

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

7. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Fair value methods and assumptions

The effective interest rate method

Amortised cost

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7. FINANCIAL INSTRUMENTS (continued)

7. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

7. 1 Financial Assets - Classification

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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7. FINANCIAL INSTRUMENTS (continued)

7. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

7. 2 Financial Liabilities - Classification (continued)

▪ Long-term Liabilities	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Certain Other Creditors	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Bank Overdraft	Other financial liabilities (Financial liabilities measured at amortised cost)
▪ Consumer Deposits	Financial liabilities at fair value through profit and loss

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

7. 3 Initial and Subsequent Measurement

7. 3. 1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial assets at fair value through profit or loss are initially and subsequently recognised at fair value and changes in fair value recognised directly through profit or loss.

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7. FINANCIAL INSTRUMENTS (continued)

7. 3. 1 Financial Assets:

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due.

Financial guarantee contract liabilities are initially measured at fair value.

The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

7. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

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7. FINANCIAL INSTRUMENTS (continued)

Financial assets carried at amortised cost

Accounts receivables encompass long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

7. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

8. INVENTORIES

8. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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8. INVENTORIES (Continued)

8. 1 Initial Recognition

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, nett of trade discounts and rebates.

Water and purified effluent are valued by using the **(weighted average)** method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

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10. REVENUE RECOGNITION

10.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

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10. REVENUE RECOGNITION (continued)

10. 2. 3 *Finance income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10. 2. 4 *Tariff Charges*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10. 2. 5 *Income from Agency Services*

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10. 2. 6 *Rentals*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10. 2. 7 *Dividends*

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

10. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

10. 3. 1 *Rates and Taxes*

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10. 3. 2 *Fines*

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with management's best estimate of the probable inflows from the amounts not yet collected.

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10. REVENUE RECOGNITION (continued)

10. 3 Revenue from Non-exchange Transactions (continued)

10. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

10. 3. 4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

11. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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11. PROVISIONS (Continued)

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Provision for Restructuring cost

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken;
 - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

12. EMPLOYEE BENEFITS

12. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

12. 2. 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2012**

12. EMPLOYEE BENEFITS (Continued)

12. 2. 1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12. 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

12. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

12. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

12. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2012**

12. EMPLOYEE BENEFITS (Continued)

12. 3. 1 Defined benefit pension plans

A liability will be recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. No such liability existed at 30 June 2012. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

13. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

13. LEASES (continued)

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

13.2 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

14. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 35 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21. COMPARATIVE INFORMATION

21.1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided to these financial statements and forms part of the Annual Financial Statements.

21.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

21.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan.

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

23. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

24. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2 011
R

1. GENERAL INFORMATION

Mohokare Local Municipality ("the municipality") is a local government institution in Zastron, Smithfield and Rouxville towns in the Xhariep district, Free State Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Maintenance Materials - at cost	246 950	511 904
Electricity (Centlec)	599 427	369 451
Spare Parts - at cost	365 638	-
Water - at cost	14 242	-

Total Inventories	1 226 257	881 355
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Inventory has been restated to adhere to the recognition provisions for Water Inventory held by the municipality in terms of GRAP 12. Refer to Note 36.5 on "Change in Accounting Policy" for details of the restatement.

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R3,51 per kilolitre (2011: R3,51 per kilolitre) in Zastron, R2,88 per kilolitre (2011: R2,88 per kilolitre) in Rouxville and R2,02 per kilolitre (R2,02 per kilolitre) in Smithfield.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE/TRANSFER

Property Held-for-Sale/Transfer	25 132 064	-
Total Non-current Assets Held-for-Sale	25 132 064	-
Net Non-current Assets Held-for-Sale	25 132 064	-

3.1 Property Held-for-Sale/Transfer

The municipality intends to dispose some of its Property, Plant and Equipment through a transfer to owners in the next financial year. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2012.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	65 233 292	64 662 305	570 987
Electricity	167 916	167 916	-
Refuse	10 694 214	10 628 594	65 620
Sewerage	13 902 941	13 744 518	158 423
Water	40 468 221	40 121 277	346 944
Other Receivables	18 555 120	18 534 036	21 084
Housing	697 103	680 371	16 732
Other Debtors	17 858 017	17 853 665	4 352
Total Receivables from Exchange Transactions	83 788 412	83 196 341	592 071

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Service Debtors:	30 350 068	29 582 685	767 383
Electricity	170 683	156 108	14 575
Refuse	6 526 921	6 366 169	160 752
Sewerage	8 350 623	8 144 954	205 669
Water	15 301 841	14 915 453	386 388
Other Receivables	17 470 452	12 584 161	4 886 291
Housing	561 446	547 618	13 828
Other Debtors	16 909 006	12 036 543	4 872 463
Total Receivables from Exchange Transactions	47 820 520	42 166 846	5 653 674

Receivables from Exchange Transactions have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Receivables from Non-exchange Transactions in terms of GRAP 104. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2012, the municipality is owed R1 756 710 (30 June 2011: R623 946) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	-	-	-	167 916	167 916
Less: Provision for Impairment	-	-	-	167 916	167 916
Net Balances	-	-	-	-	-
Refuse:					
Gross Balances	331 559	417 633	397 904	9 547 118	10 694 214
Less: Provision for Impairment	299 990	392 309	389 177	9 547 118	10 628 594
Net Balances	31 569	25 324	8 727	-	65 620
Sewerage:					
Gross Balances	513 724	616 246	569 136	12 203 835	13 902 941
Less: Provision for Impairment	437 984	552 948	549 751	12 203 835	13 744 518
Net Balances	75 740	63 298	19 385	-	158 423
Water:					
Gross Balances	2 685 981	1 220 800	931 719	35 629 721	40 468 221
Less: Provision for Impairment	2 555 353	1 019 033	917 170	35 629 721	40 121 277
Net Balances	130 628	201 767	14 549	-	346 944

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

Other Receivables:

Gross Balances	102 598	147 667	141 565	18 163 290	18 555 120
Less: Provision for Impairment	92 827	139 404	138 515	18 163 290	18 534 036
Net Balances	9 771	8 263	3 050	-	21 084

As at 30 June 2012 Receivables of R344 363 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	2 402 346	2 040 324	75 711 880	80 154 550
Less: Provision for Impairment	2 103 694	1 994 613	75 711 880	79 810 187
Net Balances	298 652	45 711	-	344 363

As at 30 June 2011

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Electricity:

Gross Balances	-	-	-	170 683	170 683
Less: Provision for Impairment	-	-	-	156 108	156 108
Net Balances	-	-	-	14 575	14 575

Refuse:

Gross Balances	202 358	254 891	242 850	5 826 822	6 526 921
Less: Provision for Impairment	41 606	254 891	242 850	5 826 822	6 366 169
Net Balances	160 752	-	-	-	160 752

Sewerage:

Gross Balances	308 562	370 140	341 844	7 330 077	8 350 623
Less: Provision for Impairment	169 966	303 067	341 844	7 330 077	8 144 954
Net Balances	138 596	67 073	-	-	205 669

Water:

Gross Balances	1 015 623	461 609	352 302	13 472 308	15 301 841
Less: Provision for Impairment	629 235	461 609	352 302	13 472 308	14 915 453
Net Balances	386 388	-	-	-	386 388

Other Receivables:

Gross Balances	1 078 578	521 786	472 162	15 397 925	17 470 452
Less: Provision for Impairment	843 811	416 756	442 328	10 881 266	12 584 161
Net Balances	234 768	105 030	29 834	4 516 659	4 886 291

As at 30 June Receivables of R4 733 171 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	1 608 426	1 409 157	42 197 815	45 215 399
Less: Provision for Impairment	1 436 323	1 379 323	37 666 581	40 482 228
Net Balances	172 103	29 834	4 531 234	4 733 171

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R
2011
R

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	3 525 925	53 406	54 152	381
<u>Past Due:</u>				
31 - 60 Days	2 266 418	74 238	61 191	499
61 - 90 Days	1 947 923	53 702	38 202	495
+ 90 Days	71 276 613	2 815 697	1 603 165	16 405
Sub-total	79 016 879	2 997 043	1 756 710	17 780
Less: Provision for Impairment	78 519 810	2 937 387	1 721 364	17 780
Total Trade Receivables by Customer Classification	497 069	59 656	35 346	-
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
<u>Current:</u>				
0 - 30 days	1 023 088	30 374	8 143	-
<u>Past Due:</u>				
31 - 60 Days	1 320 049	31 012	10 470	-
61 - 90 Days	996 826	27 961	9 670	-
+ 90 Days	41 582 311	2 184 953	595 663	-
Sub-total	44 922 274	2 274 300	623 946	-
Less: Provision for Impairment	40 134 917	2 031 929	-	-
Total Trade Receivables by Customer Classification	4 787 357	242 371	623 946	-
			2012	2011
			R	R

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	42 166 846	37 514 270
<i>All Consumer Debtors</i>	42 166 846	37 514 270
Impairment Losses recognised	41 029 495	12 421 479
<i>All Consumer Debtors</i>	41 029 495	12 421 479
Amounts written off as uncollectable	-	(7 768 903)
<i>All Consumer Debtors</i>	-	(7 768 903)
Balance at end of year	83 196 341	42 166 846

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, now included in Trade Receivables from Non-exchange Transactions, in terms of GRAP 104. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R
2 011
R

4.4 Ageing of impaired Receivables from Exchange Transactions

Current:

0 - 30 Days 3 386 154 1 684 618

Past Due:

31 - 60 Days 2 103 694 1 436 323

61 - 90 Days 1 994 613 1 379 323

+ 90 Days 75 711 880 37 666 581

Total **83 196 341** **42 166 846**

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	6 597 467	6 597 107	360
Total Receivables from Non-exchange Transactions	6 597 467	6 597 107	360

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Assessment Rates Debtors	4 126 581	-	4 126 581
Total Receivables from Non-exchange Transactions	4 126 581	-	4 126 581

Receivables from Non-exchange Transactions have been restated to correctly classify amounts held for Assessment Rates Debtors in terms of GRAP 104, previously included in Receivables from Exchange Transactions. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2012

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Assessment Rates:

Gross Balances	3 131	43 099	43 268	6 507 969	6 597 467
Less: Provision for Impairment	3 131	42 919	43 088	6 507 969	6 597 107
Net Balances	-	180	180	-	360

As at 30 June Receivables of R360 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	43 099	43 268	6 507 969	6 594 336
Less: Provision for Impairment	42 919	43 088	6 507 969	6 593 976
Net Balances	180	180	-	360

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2 011
R

As at 30 June 2011

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	11 263	11 137	13 194	4 090 987	4 126 581
Less: Provision for Impairment	-	-	-	-	-
Net Balances	11 263	11 137	13 194	4 090 987	4 126 581

As at 30 June Receivables of R4 115 318 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	11 137	13 194	4 090 987	4 115 318
Less: Provision for Impairment	-	-	-	-
Net Balances	11 137	13 194	4 090 987	4 115 318

5.2 Summary of Assessment Rates Debtors by Customer Classification

Household

R

As at 30 June 2012

Current:

0 - 30 days

3 131

Past Due:

31 - 60 Days

43 099

61 - 90 Days

43 268

+ 90 Days

6 507 969

Sub-total

6 597 467

Less: Provision for Impairment

6 597 107

Total Rates Debtors by Customer Classification

360

Household

R

As at 30 June 2011

Current:

0 - 30 days

11 263

Past Due:

31 - 60 Days

11 137

61 - 90 Days

13 194

+ 90 Days

4 090 987

Sub-total

4 126 581

Less: Provision for Impairment

-

Total Rates Debtors by Customer Classification

4 126 581

2012
R

2011
R

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2 011
R

5.3 Reconciliation of Provision for Impairment

Balance at beginning of year	-	-
<i>Other Debtors</i>	-	-
<i>Assessment Rates Debtors</i>	-	-
Impairment Losses recognised	6 597 107	-
<i>Other Debtors</i>	6 597 107	-
<i>Assessment Rates Debtors</i>	-	-
Balance at end of year	6 597 107	-

The transactions for *Provision for Impairment* have been restated to correctly classify amounts held for Assessment Rates Debtors, previously included in Receivables from Exchange Transactions, in terms of GRAP 104. Refer to Note 36.2 on "Change in Accounting Policy" for details of the restatement.

6. VAT RECEIVABLE / (PAYABLE)

Vat Payable.	(6 673 414)	(2 428 492)
Vat Receivable.	19 080 143	16 778 914
Vat Receivable / (Payable)	12 406 729	14 350 422

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. CASH AND CASH EQUIVALENTS

Current Investments	271 207	299 229
Bank Accounts	16 209	212 465
Bank Overdraft	(3 915 357)	(2 065 666)
Cash and Cash Equivalents	1 180	1 180
Total Bank, Cash and Cash Equivalents	(3 626 762)	(1 552 792)

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	271 207	299 229
Deposits available for Operations	271 207	299 229
Total Deposits attributable to Commitments of the Municipality	271 207	299 229

7.2 Bank Accounts

Cash in Bank	16 209	212 465
Bank Overdraft	(3 915 357)	(2 065 666)
Total Bank Accounts	(3 899 148)	(1 853 201)

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Zastron Branch, Zastron - ChequeAccount Number 4052654487:

Cash book balance at beginning of year	(2 065 666)	(1 494 654)
Cash book balance at end of year	(3 915 357)	(2 065 666)

Bank statement balance at beginning of year	193 464	358 584
Bank statement balance at end of year	610 138	193 464

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2 011
R

Other Bank Accounts

ABSA Bank - Zastron Branch, Zastron - Savings Account Number 2810000018:

Cash book balance at beginning of year	18 052	91 780
Cash book balance at end of year	<u>730</u>	<u>18 052</u>

Bank statement balance at beginning of year	18 052	69 518
Bank statement balance at end of year	<u>730</u>	<u>18 052</u>

Standard Bank - Zastron Branch, Zastron - ChequeAccount Number 041952766:

Cash book balance at beginning of year	107 085	70 926
Cash book balance at end of year	<u>8 711</u>	<u>107 085</u>

Bank statement balance at beginning of year	107 085	69 518
Bank statement balance at end of year	<u>8 711</u>	<u>107 085</u>

First National Bank - Zastron Branch, Zastron - ChequeAccount Number 53593549308:

Cash book balance at beginning of year	87 328	69 809
Cash book balance at end of year	<u>6 768</u>	<u>87 328</u>

Bank statement balance at beginning of year	87 327	69 809
Bank statement balance at end of year	<u>6 768</u>	<u>87 327</u>

An amount of R12 086 909 (2011: R12 487 503) is attributable to Unspent Conditional Grants.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

Cash Floats and Advances	1 180	1 180
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Total Cash on hand in Cash Floats, Advances and Equivalents	<u>1 180</u>	<u>1 180</u>
--------------------------------------------------------------------	---------------------	---------------------

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8 PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
Carrying values at 01 July 2011	44 408 086	221 056 742	59 928 332	4 927 211	666 482	330 986 853
Cost	83 647 128	478 147 592	125 090 596	6 734 182	1 291 611	694 911 109
- Completed Assets	83 647 128	451 673 665	125 090 596	6 734 182	1 291 611	668 437 183
- Under Construction	-	26 473 926	-	-	-	26 473 926
Accumulated Depreciation:	(39 239 042)	(257 090 849)	(65 162 264)	(1 806 971)	(625 129)	(363 924 256)
- Cost	(39 239 042)	(257 090 849)	(65 162 264)	(1 806 971)	(625 129)	(363 924 256)
- Revaluation	-	-	-	-	-	-
Acquisitions	-	-	-	404 000	-	404 000
Capital under Construction - Additions:	-	24 200 819	-	-	-	24 200 819
- Cost	-	24 200 819	-	-	-	24 200 819
Depreciation:	(1 007 344)	(15 111 731)	(3 939 669)	(829 247)	(327 445)	(21 215 435)
- Based on Cost	(1 007 344)	(15 111 731)	(3 939 669)	(829 247)	(327 445)	(21 215 435)
Carrying value of Disposals:	(131 104)	-	-	-	-	(131 104)
- Cost	(230 376)	-	-	-	-	(230 376)
- Accumulated Depreciation	99 272	-	-	-	-	99 272
- Based on Cost	99 272	-	-	-	-	99 272
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	(25 132 064)	-	-	-	-	(25 132 064)
- Cost	(40 592 000)	-	-	-	-	(40 592 000)
- Accumulated Depreciation	15 459 936	-	-	-	-	15 459 936
- Based on Cost	15 459 936	-	-	-	-	15 459 936
Impairment Losses	(137 214)	-	-	(16 781)	-	(153 995)
Carrying values at 30 June 2012	18 000 361	230 145 830	55 988 663	4 485 183	339 037	308 959 075
Cost	42 824 752	502 348 411	125 090 596	7 138 182	1 291 611	678 693 552
- Completed Assets	42 824 752	451 673 665	125 090 596	7 138 182	1 291 611	628 018 807
- Under Construction	-	50 674 746	-	-	-	50 674 746
Accumulated Impairment Losses	(137 214)	-	-	(16 781)	-	(153 995)
Accumulated Depreciation:	(24 687 178)	(272 202 581)	(69 101 933)	(2 636 218)	(952 574)	(369 580 483)
- Cost	(24 687 178)	(272 202 581)	(69 101 933)	(2 636 218)	(952 574)	(369 580 483)

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
Carrying values at 01 July 2010	39 828 326	216 281 706	63 868 001	6 360 676	993 927	327 332 635
Cost	77 147 128	458 265 494	125 090 596	7 474 490	1 291 611	669 269 320
- Completed Assets	77 147 128	445 941 496	125 090 596	7 474 490	1 291 611	656 945 322
- Under Construction	-	12 323 998	-	-	-	12 323 998
Accumulated Depreciation:	(37 318 803)	(241 983 788)	(61 222 596)	(1 113 814)	(297 684)	(341 936 685)
- Cost	(37 318 803)	(241 983 788)	(61 222 596)	(1 113 814)	(297 684)	(341 936 685)
Acquisitions	6 500 000	5 732 169	-	-	-	12 232 169
Capital under Construction - Additions:	-	14 149 928	-	-	-	14 149 928
- Cost	-	14 149 928	-	-	-	14 149 928
Additions	-	15 057 353	-	-	-	15 057 353
Transfer in	-	(907 425)	-	-	-	(907 425)
Depreciation:	(1 920 239)	(15 107 061)	(3 939 669)	(693 157)	(327 445)	(21 987 571)
- Based on Cost	(1 920 239)	(15 107 061)	(3 939 669)	(693 157)	(327 445)	(21 987 571)
Carrying value of Disposals:	-	-	-	(740 308)	-	(740 308)
- Cost	-	-	-	(740 308)	-	(740 308)
Carrying values at 30 June 2011	44 408 086	221 056 742	59 928 332	4 927 211	666 482	330 986 853
Cost	83 647 128	478 147 592	125 090 596	6 734 182	1 291 611	694 911 109
- Completed Assets	83 647 128	451 673 665	125 090 596	6 734 182	1 291 611	668 437 183
- Under Construction	-	26 473 926	-	-	-	26 473 926
Accumulated Depreciation:	(39 239 042)	(257 090 849)	(65 162 264)	(1 806 971)	(625 129)	(363 924 256)
- Cost	(39 239 042)	(257 090 849)	(65 162 264)	(1 806 971)	(625 129)	(363 924 256)

The municipality has identified and measured all Property, Plant and Equipment in terms of GRAP 17 for the financial year ended 30 June 2012. The balances of the Property, Plant and Equipment have accordingly been restated retrospectively.

Furthermore, *Property, Plant and Equipment* has been restated to correctly disclose the properties held in terms of GRAP 16. Refer to Note 37.1 on "Correction of Error" for details of the restatement.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
8 PROPERTY, PLANT AND EQUIPMENT (Continued)		
8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
8.2 Carrying Amount of Property, Plant and Equipment held for disposal/Transfer		
Land and Buildings	25 132 064	-
Carrying Amount of PPE held for disposal/Transfer	25 132 064	-
8.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
8.4 Impairment of Property, Plant and Equipment		
The amount of R153 995 (2011: R0) disclosed for impairment losses on Property, Plant and Equipment is in respect of buildings and it's content that were damaged during riots.		
Land and Buildings	137 214	-
Other Assets: Office Equipment	16 781	-
Total Impairment of Property, Plant and Equipment	153 995	-
Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.		
9 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	534 123	534 123
The movement in Intangible Assets is reconciled as follows:		
		Total
Carrying values at 01 July 2011		534 123
Cost		534 123
Accumulated Amortisation		-
Carrying values at 30 June 2012		534 123
Cost		534 123
Accumulated Amortisation		-
		Total
Carrying values at 01 July 2010		534 123
Cost		534 123
Accumulated Amortisation		-
Carrying values at 30 June 2011		534 123
Cost		534 123
Accumulated Amortisation		-
	-534 123.09	
The municipality has identified and measured all Intangible Assets in terms of GRAP 102 for the financial year ended 30 June 2012. The balances of the Intangible Assets have accordingly been restated retrospectively.		
All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.		
No restrictions apply to any of the Intangible Assets of the municipality.		
Refer to Appendix "B" for more detail on Intangible Assets.		

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

2012
R

2011
R

9.1 Intangible Assets with Indefinite Useful Lives

The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives:

Carrying Value of Servitudes: Electricity Distribution	101 143	101 143
Carrying Value of Servitudes: Sewerage Distribution	72 221	72 221
Carrying Value of Servitudes: Water Reticulation	360 760	360 760

Total Carrying Amount of Intangible Assets with Indefinite Useful Lives	534 124	534 124
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Servitudes are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturing date.

9.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10 INVESTMENT PROPERTY

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	20 519 205	18 739 000
Fair Value	20 519 205	18 739 000
Net Gains / (Losses) from Fair Value Adjustments	-	1 780 205
Carrying values at 30 June	20 519 205	20 519 205
Fair Value	20 519 205	20 519 205
Estimated Fair Value of Investment Property at 30 June	20 519 205	20 519 205

The municipality has identified and measured all Investment Property in terms of GRAP 16 for the financial year ended 30 June 2012. The balances of the Investment Property have been accordingly restated retrospectively. In 2010/11 the following classes of assets were not recognised/measured in accordance with GRAP 16:

- Land;
- Buildings.

Investment Property has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16. Refer to Note 37 on "Correction of Error" for details of the restatement.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	625 114	656 777
Direct Operating Expenses - incurred to generate rental revenue	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

10.1 Investment Property carried at Fair Value

The following assumptions were used:

Discount Rate	9.50%	9.50%
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10.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R	
11 BIOLOGICAL ASSETS			
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	430 680	585 000	
The movement in Biological Assets is reconciled as follows:			
	Cattle	Horses	Total
Carrying values at 01 July 2011	573 300	11 700	585 000
Fair Value	573 300	11 700	585 000
Acquisitions during the Year (Calves born)	115 500	-	115 500
Gains from Changes in Fair Value	-	270	270
Losses during the Year	(109 350)	(3 990)	(113 340)
Decreases due to consumption	(92 250)	-	(92 250)
Losses from Changes in Fair Value	(64 500)	-	(64 500)
Carrying values at 30 June 2012	422 700	7 710	430 410
Cost	422 700	7 710	430 410
	Cattle	Horses	Total
Carrying values at 01 July 2010	553 602	11 298	564 900
Fair Value	553 602	11 298	564 900
Gains from Changes in Fair Value	19 698	402	20 100
Carrying values at 30 June 2011	573 300	11 700	585 000
Fair Value	573 300	11 700	585 000

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Biological Assets of the municipality.

Refer to Appendix "B" for more detail on Biological Assets.

11.1 Biological Assets carried at Fair Value

The municipality's Biological Assets is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar assets.

The following assumptions were used:

Rand per kg on the open market
The average weight of cattle per class

11.2 Non-financial Information

Quantities of each Biological Asset:

Cattle	85	108
Horses	6	9

12 NON-CURRENT INVESTMENTS

Unlisted

Local Authority Stock	112 660	95 826
	112 660	95 826

Total Investments

All Investments	112 660	95 826
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Total Non-current Investments

	112 660	95 826
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Council's valuation of Unlisted Investments

Local Authority Stock	112 660	95 826
	112 660	95 826

Unlisted Investments comprise the following:

Local Authority Stock are shares held in OVK Operations Limited. 10 354 Ordinary Shares valued at R6.98 (2011: R4.40) per share and 9 948 Holding Shares valued at R4.06 (2011: R3.30) per share

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
13 CONSUMER DEPOSITS		
Electricity and Water	164 402	163 971
Total Consumer Deposits	164 402	163 971

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

14 PROVISIONS

Current Portion of Non-Current Provisions (See Note 18):	-	-
Rehabilitation of Land-fill Sites	-	-
Total Provisions	-	-
	2012 R	2011 R

15 PAYABLES

Trade Creditors	6 745 179	7 679 586
Payments received in Advance	-	205 248
Staff Bonuses	834 728	689 433
Long Service Bonus Accrual	135 461	-
Staff Leave Accrued	2 147 944	2 147 944
Staff Salaries	2 170 937	-
Unknown Deposits	633 003	236 574
Other Creditors	100 571	76 648
Total Creditors	12 767 824	11 035 434

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government	12 080 659	12 487 503
National Government Grants	12 080 659	12 487 503
Total Conditional Grants and Receipts	12 080 659	12 487 503

See Note 21 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
17 LONG-TERM LIABILITIES		
Finance Lease Liabilities	650 326	1 108 599
Government Loans	1 411 710	1 728 451
Other Loans (Centlec Capital Loans)	5 877 985	5 661 030
Sub-total	<u>7 940 020</u>	<u>8 498 080</u>
Less: Current Portion transferred to Current Liabilities:-	448 797	761 711
Finance Lease Liabilities	313 217	458 273
Government Loans	135 580	303 438
Other Loans	-	-
Total Long-term Liabilities (Neither past due, nor impaired)	<u><u>7 491 223</u></u>	<u><u>7 736 369</u></u>

17.1 Summary of Arrangements

Finance Lease Liabilities relates to IT Equipment with lease terms of 3 years. The effective interest rate on Finance Leases is between 8% and 11% (2011: 8% to 11%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Other Loans are repaid over a period of 20 years and at an interest rate of 10% annum. Other Loans are secured over assets used to produce electricity.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to IT Equipment with lease terms not more than 5 years (2011: 5 years). The effective interest rate on Finance Leases is between 8% and 11% (2011: 8% and 11%).

The risks and rewards of ownership in respect of the IT Equipment will transfer to the municipality at the conclusion of the agreement. The total lease liability of the mayor's car confine a material amount of the fair value of the vehicle.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2012 R	2011 R	2012 R	2011 R
Amounts payable under finance leases:				
Within one year	351 377	528 386	351 377	528 386
In the second to fifth years, inclusive	352 831	704 208	352 831	704 208
Over five years	-	-	-	-
	<u>704 208</u>	<u>1 232 594</u>	<u>704 208</u>	<u>1 232 594</u>
Less: Future Finance Obligations	53 882	123 995	53 882	123 995
Present Value of Minimum Lease Obligations	<u><u>650 326</u></u>	<u><u>1 108 599</u></u>	<u><u>650 326</u></u>	<u><u>1 108 599</u></u>
Less: Amounts due for settlement within 12 months (Current Portion)			(313 217)	(458 273)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u><u>337 109</u></u>	<u><u>650 326</u></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Included in these classes are the following significant leases:		
(i) Gestetner (IT Equipment)		
- Installments are payable monthly in advance		
- Average period outstanding	36 months	36 months
- Average effective interest rate	9.43%	9.43%
- Average monthly installment	R 16 850.00	R 16 850.00
(ii) Sharp (IT Equipment)		
- Installments are payable monthly in advance		
- Average period outstanding	60 months	60 months
- Average effective interest rate, based on prime	9.43%	9.43%
- Average monthly installment	R 16 811.00	R 16 811.00
	2012 R	2011 R
18 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	17 049 945	15 563 009
Total Non-current Provisions	<u>17 049 945</u>	<u>15 563 009</u>
The movement in Non-current Provisions are reconciled as follows:		
		Land-fill Sites R
30 June 2012		
Balance at beginning of year		15 563 009
Increase due to discounting		1 486 936
		<u>17 049 945</u>
Transfer to current provisions		-
Balance at end of year		<u>17 049 945</u>
		Land-fill Sites R
30 June 2011		
Balance at beginning of year		14 205 749
Increase due to discounting		1 357 260
		<u>15 563 009</u>
Transfer to current provisions		-
Balance at end of year		<u>15 563 009</u>

18.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R17 million to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
19 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Accumulated Surplus / (Deficit) due to the results of Operations	316 631 771	329 363 555
Total Accumulated Surplus	<u>316 631 771</u>	<u>329 363 555</u>

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 36.1 "Change in Accounting Policy" for details of the restatements.

Reclassification of Assets - Note 37.1
Restatement of Creditors Balances - Note 37
Recognition of Inventory - Note 36.5
Reclassification of Receivables from Non-exchange Transactions for Services Rendered - Note 36.2
Reclassification of Unspent Conditional Grants - Note 37.2
Reclassification of Provision for Landfill Sites - Note 37.5

Furthermore, *Accumulated Surplus* has been restated to correctly classify amounts held for Unspent Conditional Grants and Receipts. Refer to Note 37.2 on "Correction of Error" for details of the restatement.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

20 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2012 R000's	July 2011 R000's		
Residential	299 182	299 182	3 766 621	2 673 458
Commercial	58 595	58 595	411 281	394 657
Agricultural	2 307 525	2 307 525	2 978 961	2 712 828
State	204 314	204 314	74 352	281 964
Total Property Rates	<u>2 869 615</u>	<u>2 869 615</u>	<u>7 231 215</u>	<u>6 062 907</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,5700 c/R (2010/11: 0,5700 c/R)
Commercial Properties: 0,7722 c/R (2010/11: 0,7722 c/R)
State Properties: 0,2695 c/R (2010/11: 0,2695 c/R)
Agricultural Properties: 0,1231 c/R (2010/11: 0,1231 c/R)

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	2012 R	2011 R
21 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED		
National Equitable Share	45 632 000	40 862 000
Operational Grants	45 632 000	40 862 000
Conditional / Unconditional Grants	28 194 000	27 126 886
National: FMG	1 500 000	1 250 000
National: MIG	15 532 000	12 913 000
National: MSIG	790 000	750 000
National: DWAF	8 094 000	2 193 676
National: INEPG	627 000	-
GOGTA Grant	-	10 020 210
Provincial: Treasury	1 651 000	-
Total Government Grants and Subsidies	73 826 000	67 988 886
Government Grants and Subsidies:		
Conditional Grants - Capital	15 532 000	12 913 000
Conditional Grants - Operational	-	-
Unconditional Grants - Capital	8 721 000	2 193 676
Unconditional Grants - Operational	49 573 000	52 882 210
Total Government Grants and Subsidies	73 826 000	67 988 886
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	49 573 000	52 882 210
Conditions met - transferred to Revenue: Capital Expenses	24 659 843	15 307 554
Total Transfers	74 232 843	68 189 764
<i>Government Grants and Subsidies have been restated to correctly classify revenue to be included in the category of Government Grants and Subsidies. Refer to Note 36.1 on "Change in Accounting Policy" for details of the restatement.</i>		
Operational Grants:		
21.1 National: Equitable Share (Unconditional)	45 632 000	40 862 000
In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.		
21.2 National: FMG Grant (Unconditional)		
Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	1 250 000
Conditions met - transferred to Revenue: Operating Expenses	(1 500 000)	(1 250 000)
Conditions still to be met - transferred to Liabilities	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21.3 National: MIG Funds (Conditional)		
Balance unspent at beginning of year	12 487 503	12 688 381
Current year receipts	15 532 000	12 913 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(15 979 892)	(13 113 878)
Conditions still to be met - transferred to Liabilities	<u>12 039 610</u>	<u>12 487 503</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

21.4 National: MSIG Funds (Unconditional)

Balance unspent at beginning of year	-	-
Current year receipts	790 000	750 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(790 000)	(750 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

21.5 National: Department Water Affairs and Forestry (DWAF) (Unconditional)

Balance unspent at beginning of year	-	-
Current year receipts	8 094 000	2 193 676
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(8 094 000)	(2 193 676)
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>-</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

21.6 National: Integrated National Electrification Programme Grant (INEPG) (Conditional)

Balance unspent at beginning of year	-	-
Current year receipts	627 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(585 951)	-
Conditions still to be met - transferred to Liabilities	<u>41 049</u>	<u>-</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21.7 Provincial: Treasury (Unconditional)		
Balance unspent at beginning of year	-	-
Current year receipts	1 651 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 651 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	-	-
	<u>-</u>	<u>-</u>

21.8 COGTA Grant (Unconditional)

Balance unspent at beginning of year	-	-
Current year receipts	-	10 020 210
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(10 020 210)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	-	-
	<u>-</u>	<u>-</u>

21.9 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2011), government grant funding is expected to increase over the forthcoming three financial years.

22 PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	-	20 580
Total Public Contributions and Donations	<u>-</u>	<u>20 580</u>

23 SERVICE CHARGES

Sale of Electricity	16 657 619	12 040 738
Sale of Water	23 405 838	6 719 753
Refuse Removal	4 221 843	3 786 978
Sewerage and Sanitation Charges	6 350 914	5 727 711
Total Service Charges	<u>50 636 215</u>	<u>28 275 180</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

24 RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
- Investment Property	320 180	447 060
Rental Revenue from Buildings	25 478	22 492
Rental Revenue from Halls	8 570	8 820
Rental Revenue from Other Facilities	270 887	178 405
Total Rental of Facilities and Equipment	<u>625 114</u>	<u>656 777</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

25 INTEREST EARNED

External Investments:

Bank Account	953	343
Investments	-	30 993
External Loans	-	300
	<u>953</u>	<u>31 636</u>

Outstanding Debtors:

Outstanding Billing Debtors	273 209	226 493
	<u>273 209</u>	<u>226 493</u>

Total Interest Earned

	<u>274 162</u>	<u>258 129</u>
--	----------------	----------------

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Held-to-Maturity Investments	953	31 636
Loans and Receivables	273 209	226 493
	<u>274 162</u>	<u>258 129</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
26 OTHER REVENUE		
Building Plan Fees	2 350	584
Cemetery Fees	27 370	45 514
Centlec Sundry Income	108 674	-
Gravel Sales	208	1 412
Photostats	78	296
Pound Fees	1 171	639
Rates Certificates	10 944	37 454
Skills Development Levy	-	14 155
Cattle additions	115 500	-
Sundry Income	3 254 771	874 789
Total Other Revenue	3 521 066	974 842

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 25, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

27 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	24 085 095	21 904 552
Basic Salaries and Wages	23 753 051	20 250 014
Long Service Bonuses	135 461	-
Contribution to Leave Fund	196 583	1 654 538
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids Bonus fund	5 742 359	5 694 805
Medical	1 423 361	1 230 031
Pension	3 707 997	3 994 905
Bonus fund	27 108	20 179
Industrial Council Levy	34 627	13 566
Skills Development Levy	279 811	225 809
UIF	269 455	210 316
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 735 610	553 972
Allowances	1 735 610	553 972
Housing Benefits and Allowances	48 111	72 922
Overtime Payments	1 812 413	1 575 317
Annual Bonuses	1 702 642	1 381 686
Temporary Employees - Salaries and Wages	199 511	(491 763)
Total Employee Related Costs	35 325 741	30 691 492

No advances were made to employees.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	474 548	396 198
Performance Bonus	-	-
Travel Allowances	190 293	73 758
Company Contributions to UIF, Medical and Pension Funds	31 561	1 496
Other	55 058	40 956
Total	751 460	512 408

The post was vacant during September 2011 until October 2011. No Acting Allowance was paid for the period.

Remuneration of the Chief Financial Officer

Annual Remuneration	365 445	220 444
Annual Bonus	-	34 177
Travel Allowances	135 000	4 223
Company Contributions to UIF, Medical and Pension Funds	14 578	54 476
Acting Allowance	28 753	121 587
Other	3 739	62 191
Total	547 515	497 098

The post was vacant during July 2011 until September 2011. The Acting Allowance that was paid for the period is included in the above costs..

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Remuneration of the Manager: Community Services		
Annual Remuneration	-	169 178
Annual Bonus	-	14 098
Travel Allowances	-	30 000
Company Contributions to UIF, Medical and Pension Funds	-	54 612
Acting allowance	-	149 254
Total	-	417 142

The post was vacant for the whole financial year. No Acting Allowance was paid during the year.

Remuneration of the Manager: Corporate Services		
Annual Remuneration	309 765	291 782
Annual Bonus	-	24 315
Travel Allowances	112 500	30 000
Company Contributions to UIF, Medical and Pension Funds	66 648	83 502
Acting allowance	16 609	30 987
Other	3 922	-
Total	509 444	460 586

The post was vacant during July 2011 until August 2011. The Acting Allowance that was paid for the period is included in the above costs.

Remuneration of the Manager: Technical Services		
Annual Remuneration	383 580	169 178
Performance Bonus	-	14 098
Travel Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	70 167	36 652
Acting allowance	44 432	152 656
Other	3 585	-
Total	501 764	372 584

The post was vacant from July 2011 until September 2011. The Acting Allowance that was paid for the period is included in the above costs.

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

28 REMUNERATION OF COUNCILLORS

Mayor	408 818	343 369
Chief Whip - RJ Thuhlo	125 025	105 009
Councillors	1 107 001	929 778
Company Contributions to UIF, Medical and Pension Funds	215 567	156 651
Medical Aid	51 995	17 653
Pension Fund	130 132	109 299
UIF	10 981	9 223
Skills Development Levy	22 459	20 476
Other Allowances (Cellular Phones, Housing, Transport, etc)	743 318	674 319
Housing Subsidy	47 746	-
Telephone Allowance	136 320	117 107
Travelling Allowance	559 252	557 212
Total Councillors' Remuneration	2 599 729	2 209 126

In-kind Benefits

The Councillor occupying the positions of Mayor/Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a vehicle leased from the Government Garage for official duties.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
29 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	21 215 435	21 987 571
Total Depreciation and Amortisation	21 215 435	21 987 571
30 IMPAIRMENT LOSSES		
<i>30.1 Impairment Losses on Fixed Assets</i>		
Impairment Losses Recognised:	153 995	-
Property, Plant and Equipment	153 995	-
	153 995	-
<i>30.2 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	47 626 602	12 421 479
Receivables from Exchange Transactions	41 029 495	12 421 479
Receivables from Non-exchange Transactions	6 597 107	-
	47 626 602	12 421 479
<i>30.3 Impairment of Revenue</i>		
Impairment Losses Recognised:	1 818 376	2 849 678
Assessment Rates	1 818 376	2 849 678
	1 818 376	2 849 678
Total Impairment Losses	49 598 973	15 271 157
31 FINANCE COSTS		
DBSA Loan	187 530	167 857
Creditors Overdue	201 397	813 828
Finance Leases	70 114	97 847
Landfill Provision	1 486 937	1 357 260
Bank overdraft	570	-
Finance costs incurred by Centlec	133 775	-
Total Interest Expense	2 080 323	2 436 791
Total Interest Paid on External Borrowings	2 080 323	2 436 791
32 BULK PURCHASES		
Electricity (Centlec)	10 427 164	16 136 859
Total Bulk Purchases	10 427 164	16 136 859
33 CONTRACTED SERVICES		
Professional Fees	4 978 872	4 893 309
Security Services	130 856	36 672
Valuation Services	59 539	3 090 318
Total Contracted Services	5 169 266	8 020 299
<i>Contracted Services</i> have been restated to correctly classify expenditure incurred during the previous financial year, previously accrued for in General Expenses. Refer to Note 36.5 on "Change in Accounting Policy" for details of the restatement.		
34 GRANTS AND SUBSIDIES PAID		
Free Basic Services	1 093 696	4 155 906
Total Grants and Subsidies	1 093 696	4 155 906
Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.		

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R
35 GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	157 892	441 774
Audit Fees	1 597 457	2 175 075
Bank Charges	77 876	1 047 581
Cattle Feed	431	3 168
Cattle Consumption	92 250	-
Cattle Losses	113 340	-
Cattle Fair Value adjustment Loss	64 230	-
Centlec General Expenses	3 119 188	-
Centlec Service Expenses	1 661 644	-
Chemicals and Poison	2 092 087	961 832
Cleaning Material	99 945	112 049
Computer Software Licenses	189 174	108 114
Consumables	402 898	-
Entertainment	182 165	142 282
Fines & Penalties	94 808	19 315
Fuel & Oil	1 355 963	1 707 687
Insurance	432 314	532 618
Lease Charges	1 180 582	6 393 142
Legal Costs	353 638	519 146
Levies: SALGA	88 414	3 000
Magazines, books and periodicals	38 558	33 019
Medical Expenses	50 366	29 374
Motor vehicle expenses	20 917	31 086
Pauper burials	14 840	18 826
Postage and Courier	604 652	316 722
Printing & Stationary	549 945	463 620
Royalties and license fees	110 351	189 254
Software expenses	80 922	72 245
Special Programmes	301 826	523 170
Subscription Fees	341 630	80 127
Telephone Cost	1 705 360	1 439 525
Training Costs	668 174	29 767
Transport Costs	16 508	17 038
Travelling and Subsistence	2 759 353	1 675 716
Uniforms and Protective Clothing	173 531	90 536
Total General Expenses	20 793 226	19 176 808

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

35.1 Material Losses

	106 436 681	-
Distribution Losses:		
Electricity Losses	106 436 681	-

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

No other extra-ordinary expenses were incurred.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

36 CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2011/12 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2012:

- GAMAP 9 Revenue (sections applicable to Non-exchange Transactions)
- GRAP 03 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 09 Revenue from Exchange Transactions
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 101 Agriculture
- GRAP 102 Intangible Assets
- GRAP 104 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement

36.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balances published as at 30 June 2011		163 352 810
Change in Accounting Policy:-		
Reclassification of Amounts accounted for as "Grants Receivable" - GRAP 23	(10 215 500)	
Reclassification of amounts accounted for as "Unknown Grants Received" - GRAP 23	9 708 399	
Reclassification of General Expenses to Inventory for 2010-2011: GRAP 12	83 566	(423 535)
Correction of Error:-		
Reclassify Lease expenses	166 339	
Reclassify Lease expenses for 2010-2011	361 619	
DBSA Loan Opening balance adjustment	(7 320)	
Write off of "VAT differences account" against prior periods	5 135 150	
Write off of VAT payable from prior periods	5 782 836	
Recognition of Revaluation of Investment property during 2010-2011	1 780 205	
Recognition of interest expense on Landfill sites provision	(1 357 260)	
Provision for Landfill site rehabilitation	(14 205 749)	
Correction of Investment Property Value	(10 665 500)	
Correction of Trade payable opening balance	4 488 394	
Correction of Intangible assets balance	534 123	
Correction of PPE balances	197 427 134	
Recognition of depreciation for the year	(21 987 571)	
Centlec consolidated results for 2010-2011	(1 893 813)	
Restating of the leave accrual	875 692	166 434 280
Restated Balances as at 30 June 2011		329 363 555

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

GRAP 104 - Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments.

36.2 Reclassification of Trade Receivables from Exchange Transactions and Trade to Receivables from Non-exchange Transactions

The prior year figures of Trade Receivables from Exchange Transactions together with the Provision for Impairment and Trade Receivables from Non-exchange Transactions together with the Provision for Impairment have been restated to correctly disclose the monies held by the municipality in terms of GRAP 104.

The effect of the Change in Accounting Policy is as follows:

	Receivables Exchange Transactions	Exchange Provision for Impairment	Receivables Non-exchange Transactions	Non-exchange Provision for Impairment
Balances published as at 30 June 2010	59 504 915	(45 661 072)	-	-
Reclassification of Debtors: Assessment Rates	(4 676 435)	-	4 676 435	-
Restated Balances as at 30 June 2010	54 828 480	(45 661 072)	4 676 435	-
Transactions incurred for the Year 2009/10:				
Debtors Transactions for the Year	(7 557 814)	3 494 226	-	-
Reclassification of Debtors: Assessment Rates	549 854	-	(549 854)	-
Restated Balances as at 30 June 2011	47 820 520	(42 166 846)	4 126 581	-

36.3 Reclassification of Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments. The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 01 July 2011.

	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
FINANCIAL ASSETS:				
Non-current Investments				
Investment in Stock	Held to maturity	Amortised cost	95 826	95 826
Receivables from Exchange Transactions				
Electricity	Loans and receivables	Amortised cost	14 575	14 575
Refuse	Loans and receivables	Amortised cost	160 752	160 752
Sewerage	Loans and receivables	Amortised cost	205 669	205 669
Water	Loans and receivables	Amortised cost	386 388	386 388
Other Debtors	Loans and receivables	Amortised cost	4 886 291	4 886 291
Receivables from Non-exchange Transactions				
Assessment Rates Debtors	Loans and receivables	Amortised cost	4 126 581	4 126 581
Cash and Cash Equivalents				
Call Deposits	Available for sale	Fair value	299 229	299 229
Bank Balances	Available for sale	Fair value	212 465	212 465
Cash Floats and Advances	Available for sale	Fair value	1 180	1 180
FINANCIAL LIABILITIES:				
Long-term Liabilities				
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	650 326	650 326
Government Loans	Financial liabilities at amortised cost	Amortised cost	1 425 013	1 425 013
Other Loans	Financial liabilities at amortised cost	Amortised cost	5 661 030	5 661 030
Payables				
Trade Creditors	Financial liabilities at amortised cost	Amortised cost	7 679 586	7 679 586
Payments received in Advance	Financial liabilities at fair value	Fair value	205 248	205 248
Staff Bonuses	Financial liabilities at amortised cost	Amortised cost	689 433	689 433
Staff Leave Accrued	Financial liabilities at amortised cost	Amortised cost	2 147 944	2 147 944
Staff Salaries	Financial liabilities at amortised cost	Amortised cost	-	-
Sundry Deposits	Financial liabilities at amortised cost	Amortised cost	236 574	236 574
Other Creditors	Financial liabilities at amortised cost	Amortised cost	76 648	76 648
Bank Overdraft				
Bank Overdraft	Financial liabilities at amortised cost	Fair value	2 065 666	2 065 666
Current Portion of Long-term Liabilities				
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	458 273	458 273
Government Loans	Financial liabilities at amortised cost	Amortised cost	303 438	303 438

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

36.4 Reclassification of Revenue and Expenditure

The prior year figures of Revenue and Expenditure have been restated to correctly disclose the transactions incurred by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Revenue for the Year	Expenditure for the Year	Surplus for the Year
Total as per AFS previously published for 2010/11	101 750 443	95 360 935	6 389 508
Adjustment for Inventory - Note 36.5	-	(83 566)	83 566
Adjustment for Revenue Rebates - Note 30	2 849 678	2 849 678	-
Adjustment for Finance Lease Payments - Note 36.5	-	(361 619)	361 619
Adjustment for Assets - Note 37.1	1 780 205	21 987 571	(20 207 366)
Adjustment for Provision for Landfill Sites - Note 37.5	-	1 357 260	(1 357 260)
Restated Total as per AFS currently disclosed for 2010/11	106 380 326	121 110 259	(14 729 933)

GRAP 12 - Inventory

The Accounting Standard for *Inventory* was not recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of GRAP 12. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

36.5 Reclassification of Inventory, General Expenses and Accumulated Surplus

The prior year figures of Inventory and Accumulated have been restated to correctly disclose Water Inventory held by the municipality in terms of GRAP 12.

The effect of the Change in Accounting Policy is as follows:

	<u>Inventory</u> Consumable Stores	General Expenses
Balances published as at 30 June 2011		28 426 292
Recognition of Consumable Stores from General Expenses	83 566	(83 566)
Reclassification to contracted services		(8 020 299)
Reclassification of rental expenses for Finance leases		(361 619)
Reclassification of expenses to Interest expenses on Creditors		(813 827)
Reclassification of interest on finance lease charges to Rental expenses		29 828
Restated Balances as at 30 June 2011	83 566	19 176 809

GRAP 13 - Leases

The Accounting Standard for *Leases* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of GRAP 13. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

36.6 Reclassification of Finance Lease Liabilities, and Accumulated Surplus

The prior year figures of Finance Lease Liabilities and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of GRAP 13.

The effect of the Change in Accounting Policy is as follows:

	Finance Lease Liabilities
Balances published as at 30 June 2011	1 636 434
Recognition of Current Portion	575 744
Recognition of Non-Current Portion	1 060 690
Restatement of Current Portion	(255 401)
Restatement of Non-Current Portion	(680 897)
Restated Balances as at 30 June 2011	700 136

GRAP 17 - Property, Plant and Equipment

Property, Plant and Equipment of the municipality are now recognised in terms of GRAP 17, *Property, Plant and Equipment*, and implemented as at 30 June 2010. As a result of the process of identifying, componentising and measuring assets, the values of the municipality's assets were adjusted to disclose the outcome of the physical verification.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012 **2011**
R **R**

IAS 39 - Financial Instruments: Recognition and Measurement

Arrangement Debtors, previously recognised in Consumer Debtors, have now been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 at amortised cost in terms of IAS 39, *Financial Instruments: Recognition and Measurement*. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

Effect of the Change in Accounting Policy:

The effect of the above-mentioned changes in Accounting Policies on the accumulated surplus is a decrease of R423 525 in the surplus for the financial year 2010/11 and the nature of the changes in the Accounting Policies is as follows:

- GRAP 12	Inventories	-	83 566
- GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	-	(507 101)
Total Decrease / (Increase) in Surplus as at 30 June		-	(423 535)

37 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

37.1 Reclassification of Property, Plant & Equipment, Investment Property, Depreciation Charges and Accumulated Surplus

The effect of the Correction of Error is as follows:

	Property, Plant and Equipment	Investment Property	Depreciation Charges
Balances published as at 30 June 2010	168 770 562	880 853	
Restatement of cost	500 498 758	-	
Revaluation of assets through accumulated surplus	-	-	
Recognition of Accumulated Depreciation	(341 936 685)	-	
Restated Balances as at 30 June 2010	327 332 635	880 853	
Amount per AFS previously published for 2010/11	155 975 629	28 523 647	-
Amount included in fixed assets reclassified to Inventory	(428 339)	-	
Correction of opening balance through Accumulated Surplus	197 427 134	(10 665 500)	
Revaluation recognised for the 2010/2011 period	-	1 780 205	
Recognition of Depreciation for 2010/11	(21 987 571)	-	(21 987 571)
Restated Balances as at 30 June 2011	330 986 853	20 519 205	(21 987 571)

37.2 Reclassification of Creditors, Other Debtors, Repairs & Maintenance, Contracted Services, Employee Related Costs and Accumulated Surplus

The opening balances of the Leave Accrual and Accumulated Surplus have been restated to correctly disclose Employee Related Costs incurred in previous financial years.

The effect of the Correction of Error is as follows:

	Leave Accrual
Amount per AFS previously published for 2010/11	
Transactions incurred for the Year 2010/11	(3 023 637)
Adjustment for Leave Accruals	875 692
Restated Amount currently disclosed for 2010/11	2 147 945

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
37.3 Reclassification of Other Debtors, Creditors, Unspent Conditional Grants and Accumulated Surplus		
The prior year figures of Creditors have been restated to correctly classify the outstanding balance as at 30 June 2012.		
The prior year figures of Unspent Conditional Grants and Accumulated Surplus have been restated to correctly classify the monies held by the municipality with no conditions attached to them for Own and Public Contributions in terms of ASB Directive 4.05.144 and to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), <i>Revenue</i> on revenue from non-exchange transactions.		
The effect of the Correction of Error is as follows:		
	Creditors	Unspent Grants
Balances published as at 30 June 2010	12 133 518	10 688 892
Restated Balances as at 30 June 2010	12 133 518	10 688 892
Transactions incurred for the Year 2010/11	-	11 507 010
Adjustment of Trade Payables through accumulated surplus	(4 248 684)	-
Adjustment of Grants Received through accumulated surplus	-	(9 708 399)
Restated Balances as at 30 June 2011	7 884 834	12 487 503
37.4 Opening Balances have been restated as follows		
Intangible Assets:-		
Balance per Ledger as at 1 July	534 123	-
Adjustment - Historical Costs	-	534 123
Restated Balance as at 1 July	534 123	534 123
Inventory:-		
Balance per Ledger as at 1 July	881 355	-
Adjustment - Recognition of Inventory	344 902	881 355
Restated Balance as at 1 July	1 226 257	881 355
37.5 Landfill sites provision		
Liability as at 1 July	15 563 009	-
Liability raised for the year to Accumulated Surplus	-	14 205 749
Finance cost expensed for the period	1 486 936	1 357 260
Closing balance as 30 June	17 049 945	15 563 009
37.6 VAT		
Receivable as at 1 July	14 350 422	6 528 332
Adjustment to Accumulated Surplus	-	7 822 090
VAT payable for the year	(4 244 922)	-
VAT receivable for the year	2 301 229	-
Closing balance as 30 June	12 406 729	14 350 422

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R
2012	2011
R	R

38 CHANGE IN ACCOUNTING ESTIMATES

38.1 Depreciation Expenditure:

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2012. Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

Increase / (Decrease) in Depreciation of PPE	21 215 435	21 987 571
-----------------------------------------------------	-------------------	-------------------

39 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	(12 731 784)	(14 729 934)
Prior Period Adjustments:	-	178 309 891
Depreciation and Amortisation	21 215 435	21 987 571
Fair value adjustments on Property, Plant and Equipment	-	(1 780 205)
Impairment losses on Property, Plant and Equipment	153 995	-
Other Movements on Property, Plant and Equipment	-	(156 875 801)
Other Movements on Intangible Assets	-	(534 123)
Other Movements on Investment Properties	(16 834)	(17 858 147)
Other Movements on Biological Assets	154 320	(20 100)
Loss on Disposal of Buildings	131 102	-
Contribution to Provisions - Non-current	1 486 936	15 563 009
Investment Income	(274 162)	(258 129)
Finance costs	1 946 548	2 436 791
Centlec Operations	(1 449 790)	(1 843 673)
Operating surplus before working capital changes	10 615 766	24 397 150
Decrease/(Increase) in Inventories	(344 902)	(881 355)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	-
Decrease/(Increase) in Consumer Debtors	5 061 603	8 190 168
Decrease/(Increase) in Other Debtors	4 126 220	5 848 561
Decrease/(Increase) in Sundry Debtors	700 995	1 334 493
Decrease/(Increase) in VAT Receivable	1 943 693	(8 708 246)
Increase/(Decrease) in Consumer Deposits	431	(73 145)
Increase/(Decrease) in Payables	1 732 390	(5 143 854)
Increase/(Decrease) in Conditional Grants and Receipts	(406 843)	1 798 611
Cash generated by / (utilised in) Operations	23 429 354	26 762 383

40 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2010/11 financial year.

41 FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 17)	7 940 020	8 498 080
Used to finance Property, Plant and Equipment - at cost	(7 940 020)	(8 498 080)
Sub-total	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
43.1 Unauthorised Expenditure		
Reconciliation of Unauthorised Expenditure:		
Opening balance	15 118 443	-
Unauthorised Expenditure current year	-	12 147 439
Approved by Council or condoned	-	2 971 004
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	<u>15 118 443</u>	<u>15 118 443</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Refer to schedule of incidents</i>	<i>Refer to schedule of incidents</i>

43.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	2 086 252	1 253 110
Fruitless and Wasteful Expenditure current year	-	833 142
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>2 086 252</u>	<u>2 086 252</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Refer to schedule of incidents</i>	<i>Refer to schedule of incidents</i>

43.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

Reconciliation of Irregular Expenditure:		
Opening balance	108 703 920	63 144 064
Irregular Expenditure current year	-	45 559 856
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	<u>108 703 920</u>	<u>108 703 920</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Refer to schedule of incidents</i>	<i>Refer to schedule of incidents</i>

44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

44.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	88 414	3 000
Amount Paid - current year	(88 414)	(3 000)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

44.2 Audit Fees

Opening Balance	593 219	1 364 684
Current year Audit Fee	2 207 294	3 186 895
Credit Notes received - current year	-	(2 614 656)
Amount Paid - current year	(1 385 227)	-
Amount Paid - previous years	(593 219)	(1 343 704)
Balance Unpaid (included in Creditors)	<u>822 067</u>	<u>593 219</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
44.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.		
44.4 PAYE, Skills Development Levy and UIF		
Opening Balance	277 842	-
Current year Payroll Deductions	3 717 963	3 717 963
Amount Paid - current year	(3 107 331)	(3 440 121)
Amount Paid - previous years	(277 842)	-
Balance Unpaid (included in Creditors)	610 632	277 842

The balance represents PAYE and UIF deducted from the May and June 2012 payroll. These amounts were paid during July 2012.

44.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	4 144 829	5 587 343
Amount Paid - current year	(3 628 791)	(5 587 343)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	516 038	-

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the May 2012 payroll, as well as the municipality's contributions to these funds. These amounts were paid during July 2012.

44.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2012			
Councillor Lekhula L	1 914	477	1 437
Councillor Letele MA	1 721	336	1 385
Councillor Thuhlo RJ	6 638	1 456	5 182
Councillor Majenge BS	3 161	466	2 695
Councillor Sehanka MJ	8 108	532	7 576
Councillor Riddle IS	2 503	420	2 083
Total Councillor Arrear Consumer Accounts	24 044	3 687	20 358
30 June 2011			
Councillor Shasha AM	22 592	2 393	20 199
Councillor Thuhlo RJ	7 333	980	6 353
Councillor Letele MA	878	744	134
Councillor Sehanka MJ	1 815	365	1 450
Councillor Majenge BS	11 141	496	10 645
Total Councillor Arrear Consumer Accounts	43 759	4 978	38 781

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
30 June 2012	Highest amount outstanding	Ageing
Councillor Lekhula L	1 437	> 90 Days
Councillor Letele MA	1 385	> 90 Days
Councillor Thuhlo RJ	5 182	> 90 Days
Councillor Majenge BS	2 695	> 90 Days
Councillor Sehanka MJ	7 576	> 90 Days
Councillor Riddle IS	2 083	> 90 Days
30 June 2011	Highest amount outstanding	Ageing
Councillor Shasha AM	20 199	> 90 Days
Councillor Thuhlo RJ	6 353	> 90 Days
Councillor Letele MA	134	> 90 Days
Councillor Sehanka MJ	1 450	> 90 Days
Councillor Majenge BS	10 645	> 90 Days

44.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The municipality has developed a supply chain management policy which was only approved by Council in November 2011.
No known matters existed at reporting date.

44.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and will be reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Procurement	Year 2011/2012	2 Occasions	Only two quotes were obtained	33 313.60
2 Occasions during the year amounting to R33 313.60				
Procurement	14 July 2011	Marwin Marketing	Tender was awarded to the highest bidder.	107 781.30
1 Occasion during the year amounting to R107 781.30				
Procurement	Year 2011/2012	30 Occasions	No quotation obtained	336 049.56
30 Occasions during the year amounting to R336 049.56				
Procurement	Year 2011/2012	32 Occasions	Only one quote obtained	308 886.42
32 Occasions during the year amounting to R308 886.42				

	2012 R	2011 R
44.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA		
Material Electricity and Water Losses were as follows and are not recoverable:		
Electricity:		
Purchased during the year	units (kWh) 1 834 140 696	-
Sold during the year	units (kWh) (1 630 393 374)	-
Unaccounted	units (kWh) 203 747 322	-
Normal distribution losses - % of electricity purchases	5.00% units (kWh) (91 707 035)	-
Loss	units (kWh) 112 040 287	-
Loss %	6%	0.00%
Loss (R):	-	-

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

			2012 R	2011 R
<i>Calculated as follows:</i>				
	%	Lost Units	Tariff	Value
30 June 2012				
Total Electricity Losses	100.00%	112 040 287	@	106 436 681
- Residential	97.43%	109 160 851	0.9450	103 157 005
- Business	2.57%	2 879 435	1.1390	3 279 677

30 June 2011				
Total Electricity Losses	0.00%	0	@	0
- Residential	0.00%	0	0.0000	-
- Business	0.00%	0	0.0000	-

Electricity Losses occur due to *inter alia*, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water:

		Lost Units	Tariff	Value
30 June 2012	Unaccounted Water Losses	0	0.0000	-
30 June 2011	Unaccounted Water Losses	0	0.0000	-

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The Loss on water distribution can not be calculated due to the fact that there are no zonal meters to determine the kilo-litres distributed.

45 COMMITMENTS FOR EXPENDITURE

45.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	2 333 908	2 346 453
<i>Infrastructure</i>	2 333 908	2 346 453
- Approved but Not Yet Contracted for:-	42 739 744	12 407 994
<i>Infrastructure</i>	42 739 744	12 407 994
Total Capital Commitments	45 073 652	14 754 447
This expenditure will be financed from:		
Government Grants	45 073 652	14 754 447
	45 073 652	14 754 447

45.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 16.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
46 FINANCIAL INSTRUMENTS			
46.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
Non-current Investments			
Investment in OVK Shares	Amortised cost	112 660	95 826
Receivables from Exchange Transactions			
Electricity	Amortised cost		14 575
Refuse	Amortised cost	65 620	160 752
Sewerage	Amortised cost	158 423	205 669
Water	Amortised cost	346 944	386 388
Other Receivables	Amortised cost	21 084	4 886 291
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	360	4 126 581
Cash and Cash Equivalents			
Call Deposits	Fair value	271 207	299 229
Bank Balances	Fair value	16 209	212 465
Cash Floats and Advances	Fair value	1 180	1 180
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Non-current Investments	Shares in OVK	112 660	95 826
Non-current Investments	Fixed Deposits		
Receivables from Exchange Transactions	Electricity		14 575
Receivables from Exchange Transactions	Refuse	65 620	160 752
Receivables from Exchange Transactions	Sewerage	158 423	205 669
Receivables from Exchange Transactions	Water	346 944	386 388
Receivables from Exchange Transactions	Other Debtors	21 084	4 886 291
Receivables from Non-exchange Transactions	Assessment Rates Debtors	360	4 126 581
		<u>705 091</u>	<u>9 876 080</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Call Deposits	271 207	299 229
Cash and Cash Equivalents	Bank Balances	16 209	212 465
Cash and Cash Equivalents	Cash Floats and Advances	1 180	1 180
		<u>288 595</u>	<u>512 874</u>
Total Financial Assets		<u>993 687</u>	<u>10 388 954</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	337 109	650 326
Government Loans	Amortised cost	1 276 130	1 425 013
Other Loans	Amortised cost	5 877 985	5 661 030
Payables			
Trade Creditors	Amortised cost	6 745 179	7 679 586
Payments received in Advance	Fair value		205 248
Staff Bonuses	Amortised cost	834 728	689 433
Staff Leave Accrued	Amortised cost	2 147 944	2 147 944
Staff Salaries	Amortised cost	2 170 937	
Sundry Deposits	Amortised cost	633 003	236 574
Other Creditors	Amortised cost	100 571	76 648
Bank Overdraft			
Bank Overdraft	Fair value	3 915 357	2 065 666
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	313 217	458 273
Government Loans	Amortised cost	135 580	303 438
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liabilities	337 109	650 326
Long-term Liabilities	Government Loans	1 276 130	1 425 013
Long-term Liabilities	Other Loans	5 877 985	5 661 030
Payables	Trade Creditors	6 745 179	7 679 586
Payables	Staff Bonuses	834 728	689 433
Payables	Staff Leave Accrued	2 147 944	2 147 944
Payables	Staff Salaries	2 170 937	
Payables	Sundry Deposits	633 003	236 574
Payables	Other Creditors	100 571	76 648
Current Portion of Long-term Liabilities	Finance Lease Liabilities	313 217	458 273
Current Portion of Long-term Liabilities	Government Loans	135 580	303 438
		<u>20 572 384</u>	<u>19 328 266</u>
Financial Liabilities at Fair Value:			
Payables	Payments received in Advance		205 248
Bank Overdraft	Bank Overdraft	3 915 357	2 065 666
		<u>3 915 357</u>	<u>2 270 914</u>
Total Financial Liabilities		<u>24 487 741</u>	<u>21 599 180</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

46.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2011, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012		2011	
	R		R	
	30 June 2012		30 June 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R	R	R	R
FINANCIAL ASSETS				
Measured at Amortised Cost:	705 091	705 091	9 876 080	9 876 080
OVK Shares	112 660	112 660	95 826	95 826
Trade Receivables from Exchange Transactions	592 071	592 071	5 653 674	5 653 674
Trade Receivables from Non-exchange Transactions	360	360	4 126 581	4 126 581
Measured at Fair Value	288 595	288 595	512 874	512 874
Call Deposits	271 207	271 207	299 229	299 229
Bank Balances and Cash	17 389	17 389	213 645	213 645
Total Financial Assets	993 687	993 687	10 388 954	10 388 954
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	20 572 384	20 572 384	19 328 266	19 328 266
Finance Lease Liabilities	337 109	337 109	650 326	650 326
Government Loans	1 276 130	1 276 130	1 425 013	1 425 013
Other Loans	5 877 985	5 877 985	5 661 030	5 661 030
Trade and Other Payables:				
- Creditors	12 632 363	12 632 363	10 830 186	10 830 186
- Current Portion of Long-term Liabilities	448 797	448 797	761 711	761 711
Measured at Fair Value	3 915 357	3 915 357	2 270 914	2 270 914
Payments Received in Advance	-	-	205 248	205 248
Bank Overdraft	3 915 357	3 915 357	2 065 666	2 065 666
Total Financial Liabilities	24 487 741	24 487 741	21 599 180	21 599 180
Total Financial Instruments	(23 494 054)	(23 494 054)	(11 210 226)	(11 210 226)
Unrecognised Gain / (Loss)		-		-

The Financial Instruments of the municipality have been reclassified as disclosed in Note 35.3, Change in Accounting Policy.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012			2011
	R			R
30 June 2012				
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
OVK Shares	-	112 660	-	112 660
Call Deposits	-	271 207	-	271 207
Bank Balances and Cash	-	17 389	-	17 389
Total Financial Assets	<u>-</u>	<u>401 255</u>	<u>-</u>	<u>401 255</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Finance Lease Liabilities	-	337 109	-	337 109
Government Loans	-	1 276 130	-	1 276 130
Other Loans	-	5 877 985	-	5 877 985
Bank Overdraft	-	3 915 357	-	3 915 357
Total Financial Liabilities	<u>-</u>	<u>11 406 580</u>	<u>-</u>	<u>11 406 580</u>
Total Financial Instruments	<u>-</u>	<u>(11 005 325)</u>	<u>-</u>	<u>(11 005 325)</u>
30 June 2011				
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
OVK Shares	-	95 826	-	95 826
Call Deposits	-	299 229	-	299 229
Bank Balances and Cash	-	213 645	-	213 645
Total Financial Assets	<u>-</u>	<u>608 700</u>	<u>-</u>	<u>608 700</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Finance Lease Liabilities	-	650 326	-	650 326
Government Loans	-	1 425 013	-	1 425 013
Other Loans	-	5 661 030	-	5 661 030
Payments Received in Advance	-	205 248	-	205 248
Bank Overdraft	-	2 065 666	-	2 065 666
Total Financial Liabilities	<u>-</u>	<u>10 007 283</u>	<u>-</u>	<u>10 007 283</u>
Total Financial Instruments	<u>-</u>	<u>(9 398 583)</u>	<u>-</u>	<u>(9 398 583)</u>

46.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010/2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

Gearing Ratio

The debt-to-equity ratio, is reflected at 3,16%, increasing to 3,76%. This low ratio is as a result of the Municipality not entering in a large number of Loans and making full use of Government Grants received.

2012
R

2011
R

The gearing ratio at the year-end was as follows:

Debt	11 855 377	10 563 746
Cash and Cash Equivalents	(17 389)	(213 645)
Net Debt	<u>11 837 989</u>	<u>10 350 101</u>
Equity	<u>316 631 771</u>	<u>329 363 555</u>
Net debt to equity ratio	<u><u>3.74%</u></u>	<u><u>3.14%</u></u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 16

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

46.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

46.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 46.8 and 46.9 to the Annual Financial Statements.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

46.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 46.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

46.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

46.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

46.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	2012 R	2011 R
Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Investments	112 660	95 826
Consumer Debtors	83 788 412	47 820 520
Other Debtors	6 597 467	4 126 581
Bank, Cash and Cash Equivalents	(3 626 762)	(1 552 792)
Maximum Credit and Interest Risk Exposure	86 871 778	50 490 134

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	94.72%	94.42%
- Industrial / Commercial	3.32%	4.38%
- National and Provincial Government	1.96%	1.20%
Total Credit Risk	100.02%	100.00%

Bank and Cash Balances		
ABSA Bank Ltd	(3 820 263)	(1 925 228)
First National Bank	62 958	143 518
Old Mutual	120 653	120 653
Standard Bank	8 711	107 085
Cash Equivalents	1 180	1 180
Total Bank and Cash Balances	(3 626 762)	(1 552 792)

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	216 447	770 122
Group 2	31 261	150 381
Group 3		
	<u>247 708</u>	<u>920 503</u>
Total Receivables from Exchange Transactions	247 708	920 503

Receivables from Non-exchange Transactions

Group 1		11 263
Group 2		
Group 3		
Total Receivables from Non-exchange Transactions		11 263

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

46 FINANCIAL INSTRUMENTS (Continued)

46.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2012								
Non-interest Bearing			14 179 534	12 868 923	90 387	361 548	542 322	316 354
- Creditors		0%	12 767 824	12 767 824	-	-	-	-
- DBSA		0%	1 411 710	101 099	90 387	361 548	542 322	316 354
Variable Interest Rate Instruments			3 915 357	3 915 357	-	-	-	-
- Bank Overdraft		10%	3 915 357	3 915 357	-	-	-	-
Fixed Interest Rate Instruments			6 528 311	175 701	137 517	337 108	-	5 877 985
- Centlec Capital Loans			5 877 985	-	-	-	-	5 877 985
- Finance lease liability		10%	650 326	175 701	137 517	337 108		
			24 623 202	16 959 981	227 904	698 656	542 322	6 194 339
30 June 2011								
Non-interest Bearing			12 763 884	11 272 499	90 387	361 548	542 322	497 128
- Creditors		0%	11 035 434	11 035 434	-	-	-	-
- DBSA		0%	1 728 450	237 065	90 387	361 548	542 322	497 128
Variable Interest Rate Instruments			2 065 666	2 065 666	-	-	-	-
- Bank Overdraft		10%	2 065 666	2 065 666	-	-	-	-
Fixed Interest Rate Instruments			2 202 322	221 314	236 958	406 295	-	1 337 755
- Centlec Capital Loans			1 337 755	-	-	-	-	1 337 755
- Finance lease liability		10%	864 567	221 314	236 958	406 295		
			17 031 872	13 559 479	327 345	767 843	542 322	1 834 883

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2012								
Non-interest Bearing			706 271	706 271	-	-	-	-
- OVK Shares			112 660	112 660	-	-	-	-
- Trade Receivables from Exchange Transactions			592 071	592 071	-	-	-	-
- Trade Receivables from Non-exchange Transactions			360	360	-	-	-	-
- Cash and Cash Equivalents			1 180	1 180	-	-	-	-
Variable Interest Rate Instruments			287 416	287 416	-	-	-	-
- Call Deposits		10%	271 207	271 207	-	-	-	-
- Bank Account		10%	16 209	16 209	-	-	-	-
			-					
			993 687	993 687	-	-	-	-
30 June 2011								
Non-interest Bearing			9 877 260	9 877 260	-	-	-	-
- OVK Shares			95 826	95 826	-	-	-	-
- Trade Receivables from Exchange Transactions			5 653 674	5 653 674	-	-	-	-
- Trade Receivables from Non-exchange Transactions			4 126 581	4 126 581	-	-	-	-
- Cash and Cash Equivalents			1 180	1 180	-	-	-	-
Variable Interest Rate Instruments			511 694	511 694	-	-	-	-
- Call Deposits		10%	299 229	299 229	-	-	-	-
- Bank Account		10%	212 465	212 465	-	-	-	-
			10 388 954	10 388 954	-	-	-	-

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

46.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2012

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	6		271 207	271 207	-	-	-	-
Bank Balances and Cash	6		(3 897 968)	(3 897 968)	-	-	-	-
Total Fixed Rate Instruments			(3 626 762)	(3 626 762)	-	-	-	-

30 June 2011

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	6		299 229	262 788 944	-	-	-	-
Bank Balances and Cash	6		(1 852 021)	31 245 683	-	-	-	-
Total Fixed Rate Instruments			(1 552 792)	294 034 627	-	-	-	-

46.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

47 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Certain councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R3,8 million (2011: R4,1 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the investment reserve of the fund amounted to R67,977 (30 June 2010: R190,464) million, with a funding level of 98,1% (30 June 2010: 100,0%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 740,205 (30 June 2009: R6 419,440) million, with funding levels of 99,9% and 100,3% (30 June 2009: 100,8% and 131,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 341, 935 205) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:

No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

48 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

48.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Lekula L	Councillor	Lekhula Constructions
Backward ET	Councillor	Matlakeng Charcoal Project
Riddle IS	Councillor	EBRI Properties
Tsoamotse MN	Director (TS)	Moedi Trading & Reahlomela Construction
Nqoko LV	Director (CS)	Info Com Biz Center & Sabbath Business Consultancy
Nkosi JV	Official (CFO)	Cebisa Stationary and Supplies & Sbusiso Printing and Stationary
Panyani TC	Official (MM)	Uhlosi Trading, Uhlosi Guest House, PC Training and Business College & Platinum Campus

48.2 Services rendered to Related Parties

During the year the municipality rendered services to related parties that are related to the municipality in the form of Rates, Services and Sundry charges which is in the normal flow of business.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

48.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans are receivable from Councillors, Management, Staff and Public.

48.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 27 and 28 respectively, to the Annual Financial Statements.

2012
R

2011
R

48.5 Purchases from Related Parties

The municipality used services rendered by the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
Uhlosi Guest House	Panyani TC		Official (MM)	8 735	-
PC Training and Business College	Panyani TC		Official (MM)	4 540	-
Total Purchases				13 275	-

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

2012
R

2011
R

49 CONTINGENT LIABILITIES

49.2 Court Proceedings:

2 350 477 **2 250 477**

(i) Unfair Dismissal Claim:
 Unfair Dismissal Claims has been issued against the Municipality. The claims are being handled by N.P. Voyi Attorneys. The possible losses regarding these cases amount to R100 000.

100 000 -

ii) Dispute with SARS.
 A dispute with SARS existed at the financial year end. This relates to tax payable for the 2006 and 2007 financial year ends.

2 250 477 2 250 477

51 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

52 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

53 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

54 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 36) and Prior Period Errors (Note 37).

55 MANAGEMENT'S GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2012 the Council adopted the 2012/13 to 2015/16 Budget. This four-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. The bank overdraft position of the Municipality at year end is due to the cashbook reconciliation being in overdraft while the actual bank account has a positive balance.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A

Mohokare Local Municipality

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

Details	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2011	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2012
CAPITAL LEASE LIABILITIES				R	R	R	R
Gestetner & Sharp	Prime		2014	864 567	-	214 241	650 326
Total Capital Lease Liabilities				864 567	-	214 241	650 326
GOVERNMENT LOANS							
DBSA Loan		1	2015	1 728 450	42 247	358 987	1 411 710
Total Government Loans				1 728 450	42 247	358 987	1 411 710
OTHER LOANS							
Centlec Capital Loan	0.00%	40021201 to 40027483	2024	1 337 755	-	123 493	1 214 262
Total Other Loans				1 337 755	-	123 493	1 214 262
TOTAL EXTERNAL LOANS				3 930 772	42 247	696 721	3 276 298

APPENDIX B
Mohokare Local Municipality
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
Housing	18 341 175	-	-	-	-	18 341 175	6 895 363	285 501	-	-	7 180 865	11 160 311
Operational buildings Total	65 305 953	-	-	(40 592 000)	(230 376)	24 483 577	32 343 679	859 056	(15 459 936)	(99 274)	17 643 524	6 840 052
	83 647 128	-	-	(40 592 000)	(230 376)	42 824 752	39 239 042	1 144 557	(15 459 936)	(99 274)	24 824 389	18 000 363
Infrastructure												
<i>Electricity:</i>												
Network	63 615 725	1 214 788	605 342	-	-	65 435 855	25 753 061	1 707 367	-	-	27 460 429	37 975 427
<i>Roads and Transport:</i>												
Roads & Stormwater	121 234 548	10 556 946	3 760 898	-	-	135 552 392	74 539 435	5 747 431	-	-	80 286 866	55 265 526
<i>Sanitation:</i>												
Sanitation network	130 873 296	8 124 884	2 193 676	-	-	141 191 856	78 695 245	3 223 854	-	-	81 919 100	59 272 756
<i>Water:</i>												
Supply network	135 950 096	4 304 202	19 914 007	-	-	160 168 305	78 103 108	4 433 079	-	-	82 536 187	77 632 119
	451 673 665	24 200 820	26 473 923	-	-	502 348 408	257 090 849	15 111 731	-	-	272 202 581	230 145 827
Community Assets												
Community facilities	54 617 584	-	-	-	-	54 617 584	30 420 019	2 042 415	-	-	32 462 434	22 155 150
Sport and Recreational Facilities	35 730 767	-	-	-	-	35 730 767	1 897 254	-	-	-	1 897 254	33 833 514
	90 348 351	-	-	-	-	90 348 351	32 317 273	2 042 415	-	-	34 359 688	55 988 663
Leased Assets												
Office furniture	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets												
<i>Emergency Equipment:</i>												
Emergency / rescue equipment	81 260	-	-	-	-	81 260	20 112	14 627	-	-	34 739	46 521
Fire fighting equipment / fire hoses	19 183	-	-	-	-	19 183	4 097	3 849	-	-	7 946	11 237
<i>Furniture and Fittings:</i>												
Tables & desks	443 757	-	-	-	-	443 757	151 850	60 992	-	-	212 842	230 915
Chairs and couches	731 587	-	-	-	-	731 587	364 383	99 098	-	-	463 481	268 106
Cabinets & cupboards	410 915	-	-	-	-	410 915	128 781	53 756	-	-	182 537	228 378
Other furniture and fittings	137 027	404 000	-	-	-	541 027	46 726	22 777	-	-	69 503	471 524
Shelving and bookcases	37 375	-	-	-	-	37 375	13 196	4 805	-	-	18 001	19 374
Headboards	656	-	-	-	-	656	325	118	-	-	443	213
<i>Motor Vehicles:</i>												
Trailers and accessories	331 200	-	-	-	-	331 200	75 733	15 898	-	-	91 631	239 569
Trucks, buses and ldv's	367 800	-	-	-	-	367 800	41 170	12 969	-	-	54 139	313 661
Tractors	707 750	-	-	-	-	707 750	80 510	22 648	-	-	103 158	604 592
Passenger vehicles	859 600	-	-	-	-	859 600	167 506	58 944	-	-	226 450	633 150

APPENDIX B
Mohokare Local Municipality
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
<i>Office Equipment:</i>												
Domestic equipment	64 438	-	-	-	-	64 438	28 011	12 192	-	-	40 203	24 235
Computer hardware	2 042 460	-	-	-	-	2 042 460	761 968	505 727	-	-	1 267 695	774 765
Office machines	133 185	-	-	-	-	133 185	27 671	24 895	-	-	52 566	80 619
Office equipment - other	36 892	-	-	-	-	36 892	11 761	6 788	-	-	18 549	18 343
Audiovisual equipment	43 064	-	-	-	-	43 064	14 703	7 924	-	-	22 627	20 437
Air conditioners	59 249	-	-	-	-	59 249	17 267	13 627	-	-	30 894	28 355
Musical instruments	34 500	-	-	-	-	34 500	15 341	2 116	-	-	17 457	17 043
<i>Plant and Equipment:</i>												
Lawnmowers / gardening equipment	255 164	-	-	-	-	255 164	49 325	57 412	-	-	106 737	148 427
Plant and equipment - other	925 073	-	-	-	-	925 073	317 145	118 938	-	-	436 083	488 990
Workshop equipment and tools	34 920	-	-	-	-	34 920	11 508	6 286	-	-	17 794	17 126
Compressors	24 990	-	-	-	-	24 990	13 611	3 213	-	-	16 824	8 166
Radio equipment	9 682	-	-	-	-	9 682	4 792	1 743	-	-	6 535	3 147
Lab equipment	234 067	-	-	-	-	234 067	64 607	42 132	-	-	106 739	127 328
	8 025 794	404 000	-	-	-	8 429 794	2 432 099	1 173 474	-	-	3 605 573	4 824 221
Total	633 694 939	24 604 820	26 473 923	(40 592 000)	(230 376)	643 951 305	331 079 263	19 472 177	(15 459 936)	(99 274)	334 992 230	308 959 075

Mohokare Local Municipality
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties												
Investment Properties	20 519 205	-	-	-	-	20 519 205	-	-	-	-	-	20 519 205
	-	-	-	-	-	-	-	-	-	-	-	-
	20 519 205	-	-	-	-	20 519 205	-	-	-	-	-	20 519 205

Mohokare Local Municipality
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets												
Servitudes	534 123	-	-	-	-	534 123	-	-	-	-	-	534 123
	534 123	-	-	-	-	534 123	-	-	-	-	-	534 123

APPENDIX C
Mohokare Local Municipality
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	788 123	-	-	-	-	788 123	298 617	114 215	-	-	412 832	375 291
<i>Council</i>	255 201	-	-	-	-	255 201	86 632	35 812	-	-	122 444	132 757
<i>Council</i>	308 985	-	-	-	-	308 985	180 934	43 062	-	-	223 996	84 989
<i>Municipal Manager</i>	223 937	-	-	-	-	223 937	31 051	35 341	-	-	66 392	157 545
Finance and Administration	27 234 826	404 000	-	-	(230 376)	27 408 450	17 801 710	1 407 173	-	(99 274)	19 109 609	8 298 841
<i>Budget & Treasury</i>	1 328 317	-	-	-	-	1 328 317	636 985	333 710	-	-	970 695	357 622
<i>Budget & Treasury</i>	18 746	-	-	-	-	18 746	369	3 512	-	-	3 881	14 865
<i>Budget & Treasury</i>	422 440	404 000	-	-	-	826 440	102 435	85 661	-	-	188 096	638 344
<i>Human Resources</i>	75 376	-	-	-	-	75 376	19 863	13 698	-	-	33 561	41 815
<i>Information Technology</i>	274 708	-	-	-	-	274 708	62 753	44 504	-	-	107 257	167 451
<i>Other Admin</i>	34 527	-	-	-	-	34 527	3 802	5 363	-	-	9 165	25 362
<i>Other Admin</i>	76 691	-	-	-	-	76 691	13 677	13 887	-	-	27 564	49 127
<i>Other Admin</i>	273 609	-	-	-	-	273 609	78 083	47 782	-	-	125 865	147 744
<i>Property Services</i>	24 730 412	-	-	-	(230 376)	24 500 036	16 883 743	859 056	-	(99 274)	17 643 525	6 856 511
Planning and Development	42 428	-	-	-	-	42 428	7 788	7 608	-	-	15 396	27 032
<i>Planning & Development</i>	42 428	-	-	-	-	42 428	7 788	7 608	-	-	15 396	27 032
Health	1 199 588	-	-	-	-	1 199 588	756 135	37 919	-	-	794 054	405 534
<i>Clinics</i>	1 199 588	-	-	-	-	1 199 588	756 135	37 919	-	-	794 054	405 534
Community and Social Services	89 503 127	-	-	(40 592 000)	-	48 911 127	43 316 200	1 985 136	-	(15 459 936)	29 841 400	19 069 727
<i>Cemeteries</i>	1 313 897	-	-	-	-	1 313 897	648 538	60 707	-	-	709 245	604 652
<i>Child Care</i>	1 177 475	-	-	-	-	1 177 475	815 846	39 000	-	-	854 846	322 629
<i>Libraries</i>	5 845 578	-	-	-	-	5 845 578	2 517 693	194 382	-	-	2 712 075	3 133 503
<i>Other Community</i>	81 166 177	-	-	(40 592 000)	-	40 574 177	39 334 123	1 691 047	-	(15 459 936)	25 565 234	15 008 943
Housing	18 387 414	-	-	-	-	18 387 414	6 907 222	294 242	-	-	7 201 464	11 185 950
<i>Housing</i>	18 387 414	-	-	-	-	18 387 414	6 907 222	294 242	-	-	7 201 464	11 185 950
Public Safety	267 999	-	-	-	-	267 999	48 733	41 485	-	-	90 218	177 781
<i>Public Safety</i>	267 999	-	-	-	-	267 999	48 733	41 485	-	-	90 218	177 781
Sport and Recreation	74 215 160	-	-	-	-	74 215 160	36 103 910	2 023 767	-	-	38 127 677	36 087 483
<i>Sport and Recreation</i>	74 215 160	-	-	-	-	74 215 160	36 103 910	2 023 767	-	-	38 127 677	36 087 483
Waste Management	134 095 541	-	10 318 562	-	-	144 414 103	79 604 099	3 475 404	-	-	83 079 503	61 334 600
<i>Waste Water Management</i>	131 567 736	-	10 318 562	-	-	141 886 298	78 903 300	3 299 666	-	-	82 202 966	59 683 332
<i>Waste Management</i>	2 527 805	-	-	-	-	2 527 805	700 799	175 738	-	-	876 537	1 651 268
Roads and Transport	106 961 379	-	14 317 844	-	-	121 279 223	65 968 873	5 444 635	-	-	71 413 508	49 865 715
<i>Roads and Transport</i>	106 254 163	-	14 317 844	-	-	120 572 007	65 498 703	5 419 787	-	-	70 918 490	49 653 517
<i>Other</i>	707 216	-	-	-	-	707 216	470 170	24 848	-	-	495 018	212 198
Water	136 742 262	-	24 218 209	-	-	160 960 471	78 267 447	4 488 621	-	-	82 756 068	78 204 403
<i>Water Purchase</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Water Distribution</i>	89 419 441	-	24 218 209	-	-	113 637 650	52 259 105	3 178 810	-	-	55 437 915	58 199 735
<i>Water Storage</i>	47 322 821	-	-	-	-	47 322 821	26 008 342	1 309 811	-	-	27 318 153	20 004 668
Electricity	78 999 335	-	1 820 131	-	-	80 819 466	34 843 521	2 049 225	-	-	36 892 746	43 926 720
<i>Street Lighting</i>	15 383 610	-	-	-	-	15 383 610	9 090 460	341 858	-	-	9 432 318	5 951 292
<i>Electricity Distribution</i>	63 615 725	-	1 820 131	-	-	65 435 856	25 753 061	1 707 367	-	-	27 460 428	37 975 428
Total	668 437 182	404 000	50 674 746	(40 592 000)	(230 376)	678 693 552	363 924 255	21 369 430	-	(15 559 210)	369 734 475	308 959 077

APPENDIX D

Mohokare Local Municipality

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)	Description	2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)
R	R	R		R	R	R
-	27 282 131	(27 282 131)	Executive and Council	-	30 933 815	(30 933 815)
-	26 349 296	(26 349 296)	Office of the Mayor & Speaker	-	27 736 128	(27 736 128)
-	932 835	(932 835)	Municipal Manager	-	3 197 687	(3 197 687)
932 529	8 297 111	(7 364 581)	Finance and Administration	1 085 373	14 064 956	(12 979 583)
-	1 004 626	(1 004 626)	Human Resources	-	1 597 350	(1 597 350)
-	63 348	(63 348)	Other Human Resources	-	-	-
-	610 772	(610 772)	IT Support	-	782 127	(782 127)
198 266	785 844	(587 578)	Property Service	295 373	811 800	(516 426)
734 263	5 832 521	(5 098 257)	Other Administration	790 000	10 873 680	(10 083 680)
-	884 119	(884 119)	Planning and Development	-	1 502 526	(1 502 526)
-	884 119	(884 119)	Planning & Development	-	1 502 526	(1 502 526)
54 907	692 350	(637 443)	Community and Social Services	34 137	2 839 131	(2 804 994)
9 326	(1 387 353)	1 396 679	Community Halls	6 689	451 751	(445 062)
45 514	9 706	35 808	Cemetery	27 370	7 208	20 162
67	935 921	(935 854)	Library	78	951 046	(950 968)
-	1 134 077	(1 134 077)	Other Community services	-	1 429 126	(1 429 126)
451 797	692 472	(240 674)	Housing	322 969	691 281	(368 312)
451 797	692 472	(240 674)	Housing	322 969	691 281	(368 312)
156 694	1 727 585	(1 570 891)	Public Safety	886 104	1 339 086	(452 981)
156 055	1 561 521	(1 405 465)	Police & Traffic	884 933	1 091 657	(206 724)
-	11 502	(11 502)	Fire Services	-	-	-
639	154 562	(153 923)	Public Safety	1 171	247 428	(246 257)
629	2 667 035	(2 666 407)	Sport and Recreation	2 493	13 455 599	(13 453 105)
629	2 667 035	(2 666 407)	Sport and Recreation	2 493	13 455 599	(13 453 105)
-	(113 614)	113 614	Environmental Protection	-	177 570	(177 570)
-	(113 614)	113 614	Environmental Health	-	177 570	(177 570)
9 521 845	13 432 988	(3 911 143)	Waste Management	10 580 606	10 251 838	328 768
3 786 978	5 600 119	(1 813 141)	Waste Management	4 221 843	3 378 543	843 300
5 734 867	7 832 868	(2 098 002)	Water Waste Management	6 358 763	6 873 295	(514 532)
2 564	8 398 166	(8 395 602)	Roads and Transport	208	2 467 120	(2 466 911)
2 564	8 398 166	(8 395 602)	Roads and Transport	208	2 467 120	(2 466 911)
19 826 475	18 714 962	1 111 513	Water	39 484 240	53 960 375	(14 476 136)
19 826 475	18 714 962	1 111 513	Water Distribution	39 484 240	53 960 375	(14 476 136)
11 969 475	16 813 184	(4 843 709)	Electricity	16 267 690	1 350 817	14 916 873
11 969 475	16 813 184	(4 843 709)	Electricity Distribution External	16 267 690	1 350 817	14 916 873
63 463 409	21 621 771	41 841 638	Other	68 761 963	17 123 454	51 638 509
63 463 409	21 621 771	41 841 638	Budget & Treasury	68 761 963	17 123 454	51 638 509
106 380 325	121 110 259	(14 729 934)	Sub-Total	137 425 783	150 157 567	(12 731 784)
			Revenue Foregone			
106 380 325	121 110 259	(14 729 934)	Total	137 425 783	150 157 567	(12 731 784)

APPENDIX E(1)

Mohokare Local Municipality

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances
REVENUE	R	R	R	%	
Property Rates	7 231 215	6 846 144	385 071	5.62	
Fines	884 933	50 000	834 933	1 669.87	More fines issued than anticipated
Licences and Permits	439	1 000	(561)	(56.14)	Less licences/permits issued than anticipated
Government Grants and Subsidies	74 232 843	72 711 000	1 521 843	2.09	
Public Contributions and Donations	-	(28 052)	28 052	(100.00)	
Service Charges	50 636 215	7 067 104	43 569 111	616.51	Water services billed incorrectly & Electricity sales not budgeted for.
Rental of Facilities and Equipment	625 114	524 607	100 507	19.16	More rental of facilities than expected
Interest Earned - External investments	953	15 000	(14 047)	(93.65)	
Interest Earned - Outstanding debtors	273 209	242 201	31 008	12.80	Budgeted only for anticipated recoverable interest
Dividends Received	2 962	7 626	(4 664)	(61.16)	
Gain on Fair value adjustment	16 834	-	16 834	100.00	Fair value gains not budgeted for
Other Income	3 521 066	765 868	2 755 198	359.75	VAT payments were received that were not budgeted for
Total Revenue	137 425 783	88 202 499	49 223 285	55.81	
EXPENDITURE					
Employee Related Costs	35 325 741	36 972 010	(1 646 268)	(4.45)	
Remuneration of Councillors	2 599 729	2 601 389	(1 659)	(0.06)	
Depreciation	21 215 435	-	21 215 435	100.00	Depreciation not budgeted for
Impairment Losses	49 598 973	1 595 310	48 003 663	3 009.05	Change in accounting policy regarding Debt Impairment
Repairs and Maintenance	1 722 911	2 614 348	(891 438)	(34.10)	Less repairs & Maintenance required than budgeted for
Interest Paid	2 080 323	77 497	2 002 826	2 584.39	Interest charge on Landfill sites provision not budgeted for
Bulk Purchases	10 427 164	1 425 809	9 001 355	631.32	Centlec Purchases not budgeted for
Contracted Services	5 169 266	5 121 890	47 376	0.92	
Grants and Subsidies Paid	1 093 696	1 417 410	(323 713)	(22.84)	Increase in electricity costs provided to indigents
General Expenses	20 793 226	15 937 708	4 855 518	30.47	Centlec General expenses not budgeted for
Loss on disposal of Property, Plant and Equipment	131 102	-	131 102	100.00	Loss of building due to vandalism not expected
Total Expenditure	150 157 567	67 763 370	82 394 197	121.59	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(12 731 784)	20 439 128	(33 170 912)	(162.29)	

APPENDIX E(1)

Mohokare Local Municipality

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances
	R	R	R	%	

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 June 2011

Description	2010/11 Actual	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	6 062 907	4 615 027	1 447 880	31.37	
Fines	156 055	710 463	(554 408)	(78.03)	
Licences and Permits	4 153	-	4 153	100.00	
Government Grants and Subsidies	68 189 764	56 240 298	11 949 466	21.25	
Public Contributions and Donations	20 580	-	20 580	100.00	
Service Charges	28 275 180	23 386 866	4 888 314	20.90	
Rental of Facilities and Equipment	656 777	723 384	(66 607)	(9.21)	
Interest Earned - External investments	31 636	67 893	(36 257)	(53.40)	
Interest Earned - Outstanding debtors	226 493	-	226 493	100.00	
Dividends Received	1 733	6 933	(5 199)	(75.00)	
Gain on Fair value adjustment	1 780 205	-	1 780 205	100.00	
Other Income	974 842	1 081 114	(106 272)	(9.83)	
Total Revenue	106 380 325	86 831 978	19 548 347	22.51	
EXPENDITURE					
Employee Related Costs	30 691 492	33 847 343	(3 155 851)	(9.32)	
Remuneration of Councillors	2 209 126	2 321 993	(112 867)	(4.86)	
Depreciation	21 987 571	-	21 987 571	100.00	
Impairment Losses	15 271 157	1 422 247	13 848 910	973.73	
Repairs and Maintenance	1 024 249	1 636 697	(612 449)	(37.42)	
Interest Paid	2 436 791	4 797 180	(2 360 389)	(49.20)	
Bulk Purchases	16 136 859	4 033 319	12 103 540	300.09	
Contracted Services	8 020 299	5 200 000	2 820 299	54.24	
Grants and Subsidies Paid	4 155 906	-	4 155 906	100.00	
General Expenses	19 176 808	28 707 660	(9 530 852)	(33.20)	
Total Expenditure	121 110 259	81 966 439	39 143 820	47.76	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(14 729 934)	4 865 539	(19 595 473)	(402.74)	

APPENDIX E(2)

Mohokare Local Municipality

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual	2011/12 Under Construction	2011/12 Total Additions	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Finance and Administration	404 000	-	404 000	404 000	-	0.00	
Waste Management	-	8 124 886	8 124 886	9 616 947	(1 492 061)	(15.51)	
Roads and Transport	-	10 556 946	10 556 946	8 990 000	1 566 946	17.43	
Water	-	4 304 202	4 304 202	4 300 000	4 202	0.10	
Electricity	-	1 214 789	1 214 789	1 210 000	4 789	0.40	
Other	-	-	-	-	-	0.00	
Total	404 000	24 200 823	24 604 823	24 520 947	83 876	0.34	

APPENDIX F
Mohokare Local Municipality
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	19 013 000	12 236 000	14 383 000	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	1 500 000	0	0	0	815 947	362 624	225 728	111 649	N/A	N/A	N/A	N/A	N/A	Yes	N/A
INEPG	Nat Treasury	627 000	0	0	0	0	0	585 951	0	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	7 659 000	1 169 000	0	6 704 000	4 318 623	3 967 141	3 280 518	4 413 611	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	855 000	160 740	1 597 891	5 480 369	1 085 758	0	5 771 080	1 237 161	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	0	790 000	0	0	259 484	88 380	85 498	363 116	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		29 654 000	14 355 740	15 980 891	12 184 369	6 479 812	4 418 145	9 948 775	6 125 537	0	0	0	0			